

CONFORMED COPY

CREDIT NUMBER 2389 MAU

(Water Supply Project)

between

ISLAMIC REPUBLIC OF MAURITANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 18, 1992

CREDIT NUMBER 2389 MAU

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated September 18, 1992, between ISLAMIC REPUBLIC OF MAURITANIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter, dated May 1, 1992 from the Borrower describing a program of actions, objectives and policies designed to achieve an adjustment of the Borrower's water supply, electricity and sanitation sector (hereinafter referred to as the "Program"), declaring the Borrower's commitment to the execution of the Program, and requesting the Association to assist in the financing of the Project described in Schedule 2 to this Agreement;

WHEREAS (B) the Project will be carried out by Societe Nationale d'Eau et d'Electricite (SONELEC) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to SONELEC the proceeds of the Credit as provided in this Agreement;

WHEREAS (C) the Borrower intends to obtain loans or grants from the French Caisse Centrale de Cooperation for the realization of the studies mentioned in Part A, Schedule 2 to this Agreement; and

WHEREAS (D) 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 Agreement of even date herewith between the Association and SONELEC;

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, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Performance Contract" means the agreement entered into between the Borrower and SONELEC pursuant to Section 3.02 (c) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Performance Contract and any new performance contract;

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

(c) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated April 23, 1992 and May 15, 1992 between the Borrower and the Association;

(d) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(e) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and SONELEC pursuant to Section 3.02 (a) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Subsidiary Loan Agreement; and

(f) "Environmental Management Plan" means the Plan in Schedule 5.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to seven million seven hundred thousand Special Drawing Rights (SDR 7,700,000).

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

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be June 30, 1997 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 cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or 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 payment 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 April 1 and October 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each April 1 and October 1 commencing October 1, 2002 and ending April 1, 2032. Each installment to and including the installment payable on April 1, 2012 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 gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years, 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 terms of repayment of installments under paragraph (a) above by 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. If so requested by the Borrower, the

Association may revise such modification 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.

(c) 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. SONELEC is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

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, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause SONELEC to perform in accordance with the provisions of the 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.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and the Borrower shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 3 to this Agreement.

Section 3.02. (a) The Borrower shall relend, excluding any exchange risk, the proceeds of the Credit to SONELEC under a subsidiary loan agreement to be entered into between the Borrower and SONELEC, under terms and conditions which shall have been approved by the Association, which shall include an annual interest rate of 4 percent on the disbursed and outstanding amount of the loan, and a repayment period of twenty years including a grace period of five years.

(b) The Borrower shall see to it that SONELEC will be directed by officers whose competence and experience are compatible with their functions.

(c) The Borrower shall enter into a performance contract with SONELEC, covering a three-year period, with effect from June 12, 1992, on terms and conditions which shall be satisfactory to the Association, including, but not limited to, provisions to the effect that:

- (i) SONELEC shall be authorized, without further recourse to, or action on the part of the Borrower, to implement, with effect from January 1, 1993, and every six months thereafter, an increase in water and electricity tariffs at the rate of seven and a half percent semi-annually, in order to achieve a rate of return on

net revalued fixed assets in operation (including interest and financial charges) of not less than 0 percent in 1992, not less than 1 percent in 1993, not less than 2 percent in 1994 and not less than 3 percent in 1995; provided, however, that such rate of increase shall be further increased, at the request of SONELEC, whenever it is established, upon a review of the basis on which each such tariff increase has been calculated and in accordance with an agreed formula, that the proposed increase is insufficient to enable SONELEC to achieve the required rate of return;

- (ii) SONELEC shall adjust the number of its staff progressively in such a way as to attain a minimum ratio of active water and electricity meters per agent of: 68 as of December 31, 1992 and 78 as of December 31, 1993, and 89 as of December 31, 1994, and 95 as of the termination date of the Performance Contract;
- (iii) the Borrower shall, with effect from July 1, 1992: (A) repossess the sewerage network assets operated by SONELEC, and assume the debt service obligations relating thereto; and (B) authorize SONELEC to impose a sewerage surcharge to those of its customers who are connected to the sewerage system, and reimburse SONELEC for the balance of the cost of maintaining and operating the sewerage network on behalf of the Borrower;
- (iv) SONELEC shall receive adequate compensation in respect of all services that it is required to provide, or obligations that it is required to assume, by the Borrower, which are beyond the scope of its normal attributions under its Charter;
- (v) the radio and television license fees will not, with effect from July 1, 1992, be added to the water and electricity bill;
- (vi) interim billing statements will be introduced on an alternate monthly basis, with effect from January 1, 1994, in order to supplement the bimonthly billing cycle;
- (vii) SONELEC and, to the extent necessary or appropriate, the Borrower shall take steps in order to achieve or to maintain, as the case may be, an average collection period not exceeding 60 days, in the case of its private customers, and not exceeding 90 days, in the case of customers belonging to the public administration;
- (viii) SONELEC will maintain a debt-equity ratio of not more than 60 percent;
- (ix) the Borrower will make arrangements to ensure that SONELEC has ready and sufficient access to foreign exchange to be able to meet its financial obligations to its suppliers and other creditors;
- (x) the Borrower shall: (A) make adequate budgetary allocations in its annual budget to cover all its financial commitments under the Performance Contract, including but not limited to its liability for water and electricity consumption for the forthcoming fiscal year, based on its actual consumption for the preceding fiscal year, as adjusted to take account of projected

increases in tariffs and consumption; and (B) transfer the amount so allocated to SONELEC's account in six equal bimonthly installments, beginning during the first bimonthly period of the fiscal year, the difference between the amount so allocated and the amount actually billed being due and payable to SONELEC or, as the case may be, to the Borrower, during the first billing period immediately following the end of the said fiscal year;

- (xi) SONELEC shall establish, not later than January 1, 1993, an analytical accounting system that differentiates amongst its water, electricity and sewerage activities;
- (xii) the Borrower shall have a study conducted, not less than six months prior to the termination date of the Performance Contract, in order to determine the appropriate level and structure of water and electricity tariffs required for the period following termination of the Performance Contract;
- (xiii) the Borrower and SONELEC shall, prior to the termination date of the Performance Contract, conclude a new performance contract, based on similar terms and conditions, to take effect immediately after the existing Performance Contract.

(d) The Borrower shall exercise its rights under the Subsidiary Loan Agreement and the Performance Contract in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or the Performance Contract, or any provision thereof.

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) shall be carried out by SONELEC pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall cause SONELEC to maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

- (b) The Borrower shall cause SONELEC to:
 - (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements), including those for the Special Account, if any, for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
 - (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each fiscal year:
 - (A) certified copies of its financial statements for such year as so audited; and

- (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Association shall from time to time reasonably request.
- (c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall cause SONELEC to:
 - (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
 - (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special 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 the said accounts and records shall be audited on a semi-annual basis by said auditors, who shall prepare audit reports accordingly and furnish them to the Association, not later than three (3) months after the end of such semi-annual audit period, along with an opinion as to whether the statements of expenditure submitted during such period, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

- (a) SONELEC shall have failed to perform any of its obligations under the Project Agreement, the Subsidiary Loan Agreement or the Performance Contract.
- (b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that SONELEC will be able to perform its obligations under the Project Agreement, the Subsidiary Loan Agreement or the Performance Contract.
- (c) The Borrower shall have failed to perform any of its obligations under the Subsidiary Loan Agreement or the Performance Contract.
- (d) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Borrower will be able to perform its obligations under the Subsidiary Loan Agreement or the Performance Contract.
- (e) The Decree (No. 75-170 of May 1975) establishing SONELEC shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of SONELEC to

perform any of its obligations under the Project Agreement, the Subsidiary Loan Agreement or the Performance Contract.

(f) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of SONELEC or for the suspension of its operations.

(g) Upon the termination date of the Performance Contract, the Borrower and SONELEC shall have failed to conclude a new performance contract acceptable to the Association.

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

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

(a) any event specified in paragraphs (a), (c) or (g) 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) any event specified in paragraphs (b), (d), (e), (f) or (h) of Section 5.01 of this Agreement shall occur.

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) the Subsidiary Loan Agreement has been signed on behalf of the Borrower and SONELEC;

(b) the Performance Contract has been duly ratified by the Borrower and declared effective in accordance with the applicable laws and procedures of the Borrower;

(c) the Borrower has settled the balance of all arrears due and payable to SONELEC as of December 31, 1991;

(d) the Borrower or SONELEC has recruited an independent auditor, acceptable to the Association, to audit SONELEC's accounts in accordance with the requirements of Section 4.01 of the Project Agreement; and

(e) bidding documents, acceptable to the Association, pertaining to Part B (3) of the Project, have been drawn up.

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 Project Agreement has been duly authorized or ratified, as the case may be, by SONELEC, and is legally binding upon SONELEC in accordance with its terms; and

(b) that the Subsidiary Loan Agreement and the Performance Contract have been duly authorized or ratified by the Borrower and SONELEC, and are legally binding upon the Borrower and SONELEC in accordance with their respective terms.

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

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Minister of Planning 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:

Ministcre du Plan
B.P. 238
Nouakchott
Mauritanie

Cable address:

MEF
Nouakchott

Telex:

5540 MTN

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

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 Fall Ainina
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V. K. Jaycox
Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

| Amount of the Credit Allocated (Expressed in | % of Expenditures |
|--|----------------------|
|--|----------------------|

| | Category | SDR Equivalent) | to be Financed |
|-----|--|--------------------|--|
| (1) | Civil works and pipe construction | 3,000,000 | 100% |
| (2) | Supply of materials and equipment | 2,600,000 | 100% |
| (3) | Studies, technical assistance and training | 1,100,000 | 100% |
| (4) | Refunding of Project Preparation Advance | 370,000 | Amounts due pursuant to Section 2.02 (c) of this Agreement |
| (5) | Unallocated | 630,000 | |
| | TOTAL | 7,700,000 ===== | |

2. 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.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (a) achieve financial discipline and accomplish self-sufficiency of the urban water supply sub-sector, leading to sustained sector development, (b) improve sector management by strengthening the planning and appraisal capabilities of SONELEC, its financial and administrative departments, and its operating and maintenance procedures, (c) improve water service levels and alleviate poverty in Nouakchott, by providing an adequate quantity of safe water to the population at an affordable price, and (d) foster efficient groundwater management, and protect, in order to extend its finite life, the presently exploited source of water for Nouakchott.

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: Groundwater Management

1. Monitoring of salt water intrusion in the existing Idini wellfield of the Trarza aquifer.
2. Elaboration of a groundwater management plan for the exploitation of the new Tenadi wellfield, further away from the advancing saline front, and development of a long-term water supply plan for Nouakchott.

Part B: Rehabilitation and Extension of Distribution Network

1. Implementation of a leak detection and repair program.
2. Rehabilitation of existing distribution network.
3. Extension of distribution system to northern part of Nouakchott, and construction of standpipes.

Part C: Studies and Audits

1. Completion of studies required for the preparation of further

parts of the investment program of SONELEC.

2. Audits, revaluation of assets and social studies.

* * *

The Project is expected to be completed by December 31, 1996.

SCHEDULE 3

Implementation Program

1. The Borrower shall: (a) make the Environmental Assessment report pertaining to the Project available at some public place for consultation by affected groups and other interested parties, and (b) implement, or cause SONELEC to implement, the actions required to reduce the potentially significant adverse environmental impact of the Project, as agreed upon with the Association and described in the Environmental Management Plan relating thereto.

2. (a) Not later than October 31, 1992 and, thereafter, not later than October 31 of each subsequent year during the implementation period of the Project, the Borrower and the Association shall undertake, in conjunction with SONELEC, a joint annual review of the Project, during which they shall: (i) exchange views generally on all matters relating to the progress of the Project and the performance by the Borrower and SONELEC of their respective obligations under this Agreement or, as the case may be, the Project Agreement, and under the Subsidiary Loan Agreement and the Performance Contract, and (ii) review, in particular, (A) the adequacy of budgetary allocations made by the Borrower to meet its financial commitments under the Performance Contract for the current and forthcoming fiscal years, and the extent to which such allocations have been so applied during the current fiscal year; (B) SONELEC's proposed recurrent and capital budgets for the forthcoming fiscal year, having regard, in particular, to SONELEC's commitment to continue to finance not less than 15 percent of its investment program from its own internally generated funds; (C) the status of implementation of the Environmental Management Plan referred to in paragraph 1 (b) of this Schedule; and (D) any proposed modification of the provisions of the Performance Contract, including, upon the conclusion of a new performance contract, the proposed tariffs and other terms and conditions thereof.

(b) Not later than one month prior to each such review, the Borrower shall furnish to the Association, for its comments, a report, in such detail as the Association shall reasonably request, on the progress and status of the Project, and giving details, in particular, of the specific issues due to be addressed during such review.

(c) Following each such review, the Borrower undertakes to act promptly and diligently, in order to take, or assist SONELEC in taking, any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project, or to implement, or assist SONELEC in implementing, such other measures as may have been agreed upon between the parties in furtherance of the objectives of the Project.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit

allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$100,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, 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 a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the 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.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

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

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

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, 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 the eligible 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.

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

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

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

SCHEDULE 5

Environmental Management Plan

The Borrower, SONELEC and the Association agree on the following plan to which Section I (b) of Schedule III to this Agreement refers:

1. Long-Term Planning and Monitoring

(a) A plan to supply Nouakchott with sufficient potable water once the Trarza aquifer is exhausted should be prepared and submitted to the Association within two years of the completion of the hydrogeological investigation of the Tenadi wellfield that is proposed in Part I of the Project.

(b) Given the importance of the Trarza aquifer to the water resources of Mauritania, a detailed plan stating the responsibilities of the Directorate of Hydraulics and SONELEC in the monitoring of the aquifer shall be prepared by July 1, 1992.

(c) Terms of Reference for the monitoring of the Idini and Tenadi wellfields (including geochemistry and water table movement) and its estimated annual cost, prepared jointly by SONELEC and the Ministcre d'Hydraulique, shall be completed before September 1, 1992.

(d) A detailed groundwater protection plan for the Trarza aquifer, including an outline of the agencies responsible for enforcing the plan, shall be prepared by the Ministcre d'Hydraulique and SONELEC by January 1, 1993.

(e) A detailed training and staffing plan to address the water resource and environmental human resource needs identified in the environmental impact report shall be prepared by the Ministry of Hydraulics and Energy by January 1, 1993.

(f) As a preliminary step to creating other centers of economic development and to minimizing rural migration to Nouakchott, the finalization of feasibility studies for the water supply of the secondary centers of Kaedi, Rosso, and Mederdra, shall be completed by December 31, 1992. A summary of the action taken to date on the November, 1991 report prepared for these centers by INPG Consultants shall be included also.

2. Public Review

The Environmental Impact Report prepared by SONELEC will be made available to the public for review at the offices of SONELEC, the Ministère d'Hydraulique, and at each of the nine municipal district offices in Nouakchott within 6 weeks of the finalization of the report.

3. Distribution System Improvements

(a) The design report prepared by SAFEGE for the future water supply of Nouakchott shall be finalized by December 31, 1992. The final report shall indicate in detail which works will be realized in each phase of the project, and how these activities will address the servicing needs for the expected future growth of the city. The report shall also indicate the plans for, and control of, urbanization at the wellfield and along the pipeline corridor.

(b) To better assure the quality of the water being sold to consumers from the public standpipes, a survey of the repairs required at these fountains and a plan for their repairs should be completed by October 15, 1992. Other measures that the Government of Mauritania and SONELEC believe shall be carried out to improve the quality of water distributed should also be included in this report.

(c) A plan to implement a system to chlorinate water at the Idini wellfield and at the elevated reservoir in Nouakchott shall be completed by December 31, 1992.

4. Wastewater Disposal

(a) A detailed plan for the implementation of the public health education and wastewater studies referred to in the environmental impact report carried out by SONELEC shall be completed by December 31, 1992 with the participation of the technical department and the implicated institutions. A public education component promoting water conservation as well as safe water storage and transport practices shall also be included as part of this plan.

(b) A public health information program to inform the public of the potential health dangers presented by consuming vegetables grown in the gardens adjacent to the wastewater treatment plant, and recommended treatment techniques to carry out before eating them, shall begin no later than September 1, 1992.

(c) A study to develop pre-application treatment and operating guidelines for the utilization of residual water for irrigation in Nouakchott should be completed by June 30, 1992. Any cost and design changes required at the Nouakchott wastewater treatment plant to allow the wastewater to be safely used for irrigation, or the identification of an alternative wastewater disposal option shall be included in this report. As an alternative a change in cultivation has to be devised focussing on cultures thriving on wastewater stemming from a conventional water treatment plant without a public health hazard. A detailed plan for the disposal of the sludge produced from the treatment plant, and for the maintenance of the sewer collection system shall also be

included in this study.

5. Construction Activities

Guidelines acceptable to the Association detailing how the potential direct and indirect environmental impacts associated with specific construction phases of the project can be mitigated shall be included as part of all construction contract documents.

