

**CONFORMED COPY**

**CREDIT NUMBER 3810 MAU**

# **Development Credit Agreement**

**(Second Mining Sector Capacity Building Project)**

**between**

**ISLAMIC REPUBLIC OF MAURITANIA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated July 26, 2003**

**CREDIT NUMBER 3810 MAU**

**DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated July 26, 2003, between the ISLAMIC REPUBLIC OF MAURITANIA (the Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Association has received a letter, dated May 13, 2003, confirming the undertakings made by the Borrower in its letter of sector policy dated March 6, 1997, describing a program of actions, objectives and policies designed to enhance the mining sector of the Borrower (the Program) and declaring the Borrower's commitment to the execution of the Program;

(C) the Borrower intends to obtain from the Islamic Development Bank and the Japan International Cooperation agency (hereafter cumulatively referred to as Donors) loans or grants, as the case may be, in the cumulative amount of approximately seven million two hundred fifty thousand Dollars (US\$7,250,000) to assist in the financing of the Program on 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;

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;

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), (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) "Beneficiary" means the recipient of a Grant for the purposes of financing a Subproject (as hereinafter defined) pursuant to a Subproject Grant Agreement (as hereinafter defined);

(b) "CNRE" means Centre National des Ressources en Eau, the Borrower's national water resource Centre;

(c) "DEAR" means *Direction de l'Environnement et de l'Aménagement Rural*, the environment and agricultural Directorate in MDRE (as hereafter defined);

(d) "DMG" means *Direction des Mines et de Géologie*, the Mining and Geology Directorate in MMI, as hereafter defined;

(e) "Financial Monitoring Report" and "FMR" means each Financial Monitoring Report prepared in accordance with Section 4.02 of this Agreement;

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

(g) "MDRE" means *Ministère du Développement Rural et de l'Environnement*, the Borrower's Ministry in charge of Agriculture and the Environment;

(h) "Mining Account" means the account referred to in paragraph 4 (d) of Part C of Schedule 2 to this Agreement;

(i) "Mining Areas" means the Borrower's localities predominately characterized by hard rock mining activities and associated economic activities, such as the agglomerations SNIM operated exploration sites and along the Zouérate-Noudhibou railway corridor;

(j) "MMI" means *Ministère des Mines et de l'Industrie*, the Borrower's Ministry responsible for mining and industry;

(k) "Project Implementation Plan" and "PIP" means a manual of procedures to carry out the Project referred to in paragraph 1 of Schedule 4 to this Agreement containing, *inter alia*, work-plans, training plans, technical, administrative and financial procedures, monitoring and performance indicators, and other procedures to be used for the purpose of implementing the Project, as may be amended from time to time with the approval of the Association and such term includes any schedules to the Project Implementation Plan;

(l) "Project Account" means the account referred to in Section 3.03 (a) of this Agreement;

(m) "SAE" means *Service des Affaires Environnementales*, the environmental affairs unit in DMG;

(n) "SIGE" means *Système d'Information et Gestion Environnemental*, the environmental information and management system managed by DMG;

(o) "SIGM" means *Système d'Information Géologique et Minière*, a geological and mining information system established pursuant to *Arrêté* No. R00307/MMI dated March 10, 2003;

(p) "SNIM" means *Société Nationale Industrielle et Minière*, a mining company established and operating under the laws of the Borrower;

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

(r) "Subproject" means any one of the activities under Part A 1. of the Project;

(s) "Subproject Grant Agreement" means an agreement between, or intended to be concluded between, the Borrower and a Beneficiary, setting forth the terms and conditions under which a Grant shall be made available to the Beneficiary for the purpose of financing a Subproject;

(t) "UCM" means *Unité de Cadastre Minier*, Mining Cadastre Unit in MMI in charge of administration of the mining records;

(u) "UCPM" means *Unité de Coordination du Projet Minier*, the Project coordination unit within MMI;

(v) "UPM" means *Unité de Promotion Minière*, the Mining Sector Promotion Unit in MMI; and

(w) "Zouérate Antenna" means the offices of UCPM in Zouérate.

## 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 thirteen million one hundred thousand Special Drawing Rights (SDR 13,100,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) amounts paid (or, if the Association shall so agree, amounts to be paid) on account of withdrawals made for the purposes of a Grant to meet the reasonable cost of works, goods and services required for a Subproject pursuant to Part A 1. of the Project in respect of which the withdrawal from the Credit Account is requested; and (ii) expenditures made (or if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for Parts A 2. and 3., B, C, and D of 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 (the Special Account) in the name of UCPM in a commercial bank acceptable to the Association, on terms and conditions satisfactory to the Association including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be March 15, 2009 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 April 1 and October 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each April 1 and October 1, commencing October 1, 2013, and ending April 1, 2043. Each installment to and including the installment payable on April 1, 2023, 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.

### **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 the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for 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 the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

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. Without limitation upon the provisions of paragraph (a) of Section 3.01 of this Agreement, and except as the Borrower and the Association shall otherwise agree, the Borrower shall:

(a) open and maintain an account in UM in a commercial bank on terms and

conditions acceptable to the Association (the Project Account),

(b) promptly thereafter, deposit into the Project Account an initial amount equivalent to \$75,000, to finance the Borrower's contribution for expenditures under the Project not financed out of the proceeds of the Credit;

(c) deposit into the Project Account in quarterly installments, until Completion date, such amounts as shall be required to timely replenish the Project Account back to the amount of the initial deposit referred to in paragraph (b) above; and

(d) ensure that the funds deposited into the Project Account in accordance with paragraphs (a) and (b) of this Section shall be used exclusively to finance expenditures under the Project other than those financed from the proceeds of the Credit.

## **ARTICLE IV**

### **Financial Covenants**

Section 4.01. (a) The Borrower shall maintain or cause to be maintained a financial management system, including records and accounts and prepare financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account 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 such year, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

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



- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; 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 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, and the Borrower's progress reporting obligations set out in paragraph 4 of Schedule 4 to this Agreement, the Recipient shall prepare and furnish to the Association a Financial Monitoring Report, in form and substance satisfactory to the Association, each of which:

- (i) 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 the Project for the six-month period following the period covered by said report;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under the Project as at the end of the period covered by said report.

(b) The first Financial Monitoring Report shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each Financial

Monitoring Report shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

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

(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 therefore; 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.

## 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:

The Borrower has:

(a) Opened the Project Account and deposited therein the initial deposit referred to in Section 3.03 (b) of this Agreement;

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

(c) Furnished to the Association evidence, considered acceptable by the Association, that: (i) the UCPM Project Director has been confirmed in his position, and (ii) a deputy accountant and the Zouérate Antenna's regional coordinator have been contracted, in accordance with the provisions of Section II of Schedule 3 to this Agreement; and

(d) Furnished to the Association, in form and substance acceptable to the Association, the PIP including administrative, financial and accounting procedures' manuals adopted by the Borrower.

Section 6.02. 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

### Representative of the Borrower; Addresses

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

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

For the Borrower:

Ministre des Affaires Economiques et du Développement  
Ministère des Affaires Economiques et du Développement  
BP 238  
Nouakchott  
République Islamique de Mauritanie

Cable address:	Telex:	Facsimile:
MP Nouakchott	840 MTN	222 25110

For the Association:

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

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

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

Sidia

By /s/ Abdallah Ould Souleymane Ould Cheikh-  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ David Craig  
Authorized Representative

## 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:

	<u>Category</u>	<u>Amount of the Credit Allocated Expressed in SDR Equivalent</u>	<u>% of Expenditures to be Financed</u>
(1)	Works	3,150,000	100% of foreign expenditures and 85% of local expenditures
(2)	Equipment	1,000,000	100% of foreign expenditures and 85% of local expenditures
(3)	Consultants' services, and audits	6,800,000	100% of foreign consultants, 90 % for individual local consultants and 85% for local cons. firms
(4)	Training	550,000	100%
(5)	Grants under Part A 1. of the Project	600,000	100% of amounts disbursed

(6)	Operating costs	400,000	85%
(7)	Unallocated	600,000	
		<hr/>	
	TOTAL	<u>13,100,000</u>	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

(c) the term "operating costs" means the incremental expenses incurred on account of Project implementation, management and monitoring, including office supplies, office rent, communication and utility charges, vehicle operation, travel expenses related to the carrying out of the Project but excluding salaries of officials of the Borrower.

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

(a) prior to the date of this Agreement, and

(b) expenditures under Category (5) of the table set forth under paragraph 1 of this Schedule 1, for any Grant, unless such Grant has been made in accordance with the provisions set forth in Section III, paragraph 6 of Schedule 4 to this Agreement and with the PIP, pursuant to a Grant Agreement, on the terms and conditions specified in Section III, paragraph 8 of Schedule 4 to this Agreement, satisfactory to the Association.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (i) works under contracts costing less than \$500,000 equivalent each, (ii) goods under contracts costing less than \$200,000 equivalent each, (iii) for expenditures for services under contracts with consulting firms costing less than \$200,000 and (iv) for expenditures for services under contracts 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.

## SCHEDULE 2

### Description of the Project

The objective of the Project is to strengthen the Borrower's capacity to regulate mining activities in its territory and thereby facilitate private investment in the mining sector, through: (a) fostering local economic development in mining areas, (b) improving gathering and access to geological information, and (c) strengthening the Borrower's institutional and technical capacity to manage mineral resources.

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 objective:

#### Part A: Strengthening Economic Development in Mining Areas

1. Provision of Grants for the carrying out of Subprojects by private entrepreneurs, NGOs and local communities in Mining Areas to support, *inter alia*:

(a) Commercial or artisanal activities, as the case may be, of private operators (i) supporting mining operations, such as transports, maintenance of mining equipment, furnishing services to workers active in mining, and (ii) diversifying into other sectors, and

(b) Investments into social infrastructure, such as (i) access roads, (ii) points of access to water; and (iii) generators and other electric energy generating systems.

2. Strengthening administrative and logistical expertise and capacity of:

(a) Local communities in Mining Areas to deliver economic and social services, and

(b) Regional administrative authorities, local communities to plan, design and carry out social and environmental development plans, all through the provision of technical advisory services and training.

3. Strengthening administrative expertise and capacity of SNIM to design, administer supervise and audit the environmental aspects SNIM operations through the provision of technical assistance services and training to selected staff.



4. Carrying out of studies and surveys to:
  - (a) Explore the hydrological resources in Mining Areas, and
  - (b) Assess the feasibility of the cost efficient delivery of water in Mining Areas, all through the provision of technical advisory services.
5. Carrying out a baseline study of household income in Mining Zones, through the provision of technical advisory services.

Part B: Improving Geo-scientific Information Collection and Access to said Information

1. Carrying out studies and surveys to improve the geo-scientific information of the Borrower's territory for land-use and environmental conservation management, development of water resources and promotion of investments in the mining and other sectors, through:
  - (a) Airborne geophysical surveys in selected areas with mining potential;
  - (b) Geological mapping of selected areas with mining potential;
  - (c) Metallogenic studies of selected ore districts or minerals, as the case may be;
  - (d) Updating of the Borrower's hydro-geological map, and
  - (e) Research to improve known scarce water availability in selected areas with identified mining potential, all through the provision of technical advisory services.
2. Provision of technical advisory services to selected government agencies involved in geographical and geological data collection, CNRE and SIGM to carry out, analyze, process and effectively use said data.
3. Facilitating access of the interested public to geographical and geological data through:
  - (a) Publication of said data, and
  - (b) Access to the respective government databases, all through the provision of technical advisory services and training to selected staff of UPM.

Part C: Capacity Building of Public Mining Institutions

1. Improving inter-agency cooperation and service to the public through the establishment of UPM, with the objective to foster collaboration, initiate development studies and identify new activities in the mining sector and promote access to the sector and sector-information to all interested parties, through the carrying out of works, acquisition of equipment and provision of technical advisory services and training.
2. Strengthening UCM's management- and technical capacity through the provision of technical advisory services and training and the maintenance of existing and acquisition of new equipment.
3. Strengthening environmental management in the mining sector through:
  - (a) Provision of technical advisory services and training to selected staff in DEAR, and SAE to coordinate administrative procedures, such as issuance of permits and licenses, and carry out joint environmental assessment studies; and
  - (b) Provision of technical advisory services and training to selected staff in SAE, selected members of civil society and NGOs to strengthen their capacity to carry out and evaluate the results of, *inter alia*, environmental audits and other activities under the Borrower's regulations pertaining to the mining sector.
4. Institutional strengthening of DMG in the areas of:
  - (a) Practical fieldwork
  - (b) Monitoring compliance by private and public parties active in the mining sector with existing regulations
  - (c) Improving the efficiency of SIGM and
  - (d) Managing and accounting for revenues generated by the mining sector and earmarked for continued investment in the mining sector pursuant to Decree No. 2003.002 dated January 14, 2003, and recorded in the Mining Account, all through the provision of technical advisory services, training to selected staff of DMG, and the acquisition of equipment.
5. Strengthening of existing and promotion of new technical, managerial and administrative skills of selected private and public actors active in the mining sector through the provision of training and the carrying out of workshops, seminars and conferences in the territory of the Borrower and abroad.

Part D: Project Management and Supervision

Coordination, administration, supervision and monitoring of Project implementation and coordination and cross-information harmonization of activities pertinent to the mining sector among involved entities, through the carrying out of training programs, acquisition of equipment and provision of technical advisory services to selected staff in UCPM and the Zouérate Antenna.

\* \* \*

The Project is expected to be completed by September 15, 2008.

### **SCHEDULE 3**

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

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

###### Part A: General

Works and goods shall be procured in accordance with 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 the following provisions of this Section I.

###### Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods, hydro-geological works pursuant to Part A 4. of the Project, and an airborne geophysical survey pursuant to Part B 1. (a) of the Project, shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

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

(a) Preference for domestically manufactured goods

The provisions of paragraph 2.55 and 2.56 of the guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

(b) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost \$200,000 equivalent or more each.

###### Part C: Other Procurement Procedures

###### 1. National Competitive Bidding

Goods estimated to cost less than \$200,000 equivalent per contract and for works estimated to cost less than \$500,000 per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines, provided, however, that: (a) all bids shall be submitted in one envelope which shall be opened in public; (b) points systems will not be used for bid evaluation for works; (c) contracts awards shall be announced to all bidders; (d) any bidder shall be given

adequate response time (four weeks) for preparation and submission of bids; (e) bid evaluation and bidder qualification criteria shall clearly be specified in bidding documents and applied in accordance with internationally accepted rules; (f) eligible firms shall not be precluded from participation to bid; (g) enterprises which are majority owned by the state are allowed to bid only if they can establish that they are legally and financially autonomous, operate under commercial law and do not report to the agency signing the contract, (h) the award shall be made to the lowest evaluated bidder in accordance with pre-determined and transparent methods; (i) bid evaluation reports shall clearly state the reasons for rejection of any non-responsive bid; and (j) prior to issuing the first call for bids, draft standard bidding documents shall have been prepared by the Borrower, in form and substance acceptable to the Association.

2. International Shopping

Specialized equipment, foreign documentation and specialized literature estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines

3. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, 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 of Small Works

Works other than an airborne geophysical survey pursuant to Part B 1. (a) of the Project, estimated to cost less than \$100,000 equivalent per contract, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a model form of agreement in form and substance acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the work as described in the written invitation to bid, and who has, in the opinion of the Association, the experience and resources to complete the contract successfully.

5. Community Participation

Goods and works required under Subprojects (Part A.1 of the Project) shall be procured in accordance with procedures acceptable to the Association and set forth in the Project Implementation Plan.

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

With respect to each contract for goods estimated to cost the equivalent of \$200,000 or more, and works estimated to cost the equivalent of \$500,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Procurement of Consultant Services

Part A: General

1. Consultants' services to be financed out of the proceeds of the Credit shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised through May 2002 (the Consultant Guidelines) and the following provisions of this Section II.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

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

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services required for (a) studies and surveys, training related to local economic development, infrastructure management and strengthening of social and environmental management under Part A of the Project; (b) thematic mineral assessments and supervision of hydro-geological activities under Part B of the Project; (c) sector promotion, intranet management, supervision of cadastral activities, environmental management and institutional strengthening under Part C of the Project; and (d) support to Project administration, under Part D, of the Project, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.01 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. Commercial Practices

Services to assist Beneficiaries in carrying out Subprojects pursuant to paragraph 1, Part A of the Project, may be procured in accordance with commercial practices acceptable to the Association and specified in the Project Implementation Plan.

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

1. Selection Planning

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

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 1, 2 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 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**

#### Section I: General

1. The Borrower shall implement the Project in accordance with the procedures, guidelines, timetables and criteria set forth in the Project Implementation Plan and, except as the Association shall otherwise agree, the Borrower 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.

#### Section II: Reviews, Supervision and Coordination

2. The Borrower shall:

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

(b) Prepare, under terms of reference satisfactory to the Association, and furnish to the Association, for the first time during the twelfth month following Effectiveness, or such later date as the Borrower and the Association shall agree upon, and thereafter in regular intervals of twelve months until the completion of the Project, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date. In particular the report shall contain a detailed assessment of : (i) approved Grants and pending Grant applications; (ii) the implementation of environmental protection activities and the reporting on environmental aspects in monitoring reports; (iii) the quality and timeliness of the reports furnished in accordance with Section 4.02 of this Agreement; and (iv) achievements under Part C 3. of the Project; and

(c) Review in a meeting with the Association (the Annual Review), at a date 45 days following the submission of the report referred to in subparagraph (b) of this paragraph, or such later date as the Association shall request, said report, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association views on the matter and in accordance with the PIP.

3. Midterm Review

The Borrower shall:

(a) By March 31, 2006, or such other date as the Association shall agree upon, carry out jointly with the Association, a midterm review (Midterm Review). The Borrower shall invite the members of CNRE, UPM and SIGE to participate, and take all actions it considers necessary to ensure the participation of representatives of representatives of SNIM, local communities, NGOs and civil society in such Midterm Review. Such Midterm Review shall cover the progress achieved in the implementation of the Project under an agenda encompassing the agenda of the Annual Reviews, and, more specifically, the achievements under Part B of the Project.

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

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

4. The Borrower shall ensure that, until the Closing Date:

(a) UCPM shall be headed Project director, assisted by (i) a deputy Project director/procurement specialist; (ii) an accountant/financial analyst; and (iii) a deputy accountant, and staff in adequate numbers, all suitably qualified and experienced satisfactory to the Association;

(b) UCPM-Z shall be headed by a regional coordinator, responding to the Project director, assisted by staff in adequate numbers, all suitably qualified and experienced satisfactory to the Association.

5. The Borrower shall:

(a) Within six months from the Effectiveness Date or at such other date the Borrower and the Association shall agree upon, initiate the carrying out of the baseline study referred to in Part A paragraph 5 of the Project;

(b) Prior to the Midterm Review or at such other date the Borrower and the Association shall agree upon establish UPM, with terms of reference and staff positions acceptable to the Association; and

(c) Annually furnish to the Association, in form and substance acceptable to

the Association, a summary of revenues and costs reflected in the Mining Account referred to in Part C 4. (d) of the Project.

Section III: Subprojects

6. General

(a) The Borrower shall make the proceeds of the Credit allocated from time to time to Category (5) of the table set forth in paragraph 1 of Schedule 1 to this Agreement available to Beneficiaries under a Subproject Grant Agreement to be entered into, respectively, between the Borrower and each Beneficiary pursuant to the terms and conditions set forth in the PIP and this Section III; and

(b) Without limitation upon the provisions of paragraph 1 of this Schedule, no Subproject shall be eligible for financing out of the proceeds of the Credit unless UCPM or the Zouérate Antenna, as the case may be, has determined, upon appraisal of a study supporting the Grant application, conducted in accordance with the guidelines set forth in the PIP, that the Subproject and the Beneficiary satisfy the respective eligibility criteria specified in said PIP, and that a Subproject Grant Agreement for the partial financing of said Subproject has been executed pursuant to the requirements set forth in the PIP and this Section III and is legally binding upon the parties.

7. Eligibility Criteria for Subprojects

(a) The eligibility criteria for the selection of all Subprojects shall comprise a classification in accordance with environmental impact categories, and their meeting, as necessary of environmental impact analysis, ensuring that: (i) full consistency with environmental appraisal criteria set out in the PIP; and (ii) provision of mitigation measures designed to minimize adverse effects of the proposed Subproject incorporated into the Subproject implementation design;

(b) The eligibility criteria for the selection of Subprojects under Part A, paragraph 1. (a) and (b) of the Project shall comprise the consideration that they have been designed to provide training and support services for Beneficiaries comprising private enterprises, individuals and communities in Mining Areas, or to meet the business or improved livelihood- needs of such enterprises, individuals and communities; and

(c) The eligibility criteria for the selection of Subprojects under Part A paragraph 1 (c) of the Project shall comprise the consideration that they have been designed pursuant to participatory methodologies involving the interested local community or communities, as the case may be.

8. Eligibility Criteria for Grants

(a) The financing out of the proceeds of a Grant shall not be used to cover taxes or duties levied on or in respect of works, goods or services relating to a Subproject, or any part thereof;

(b) Total financing out of the proceeds of the Credit for any one Subproject required be not and not in excess of the equivalent of US\$20,000 equivalent;

(c) The Beneficiary's contribution to the cost of any Subproject, measured both in cash and/or in kind, as the case maybe, shall be not less than 15 percent of the total cost of the Subproject.

9. Terms and Conditions for Subsidiary Grant Agreements

Without limitation to the provisions set forth in paragraphs 6, 7 and 8 of this Section III, a Subproject financed by a Grant shall be carried out pursuant to a Subproject Grant Agreement, to be concluded between the Borrower and the Beneficiary in accordance with the provisions set forth in the PIP and providing for, *inter alia*, the following:

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

(b) the obligation that: (i) works, goods and services to be financed out of the proceeds of the Credit for a Subproject shall be procured according to the provisions of Schedule 3 to this Agreement and that such goods, works and services shall be used exclusively for the carrying out of the Subproject;

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

(d) the right to appropriate remedies, acceptable to the Association, should the carrying out or the maintenance of the Subproject, as the case may be, not conform to the regulations set forth in the PIM and the Subsidiary Grant Agreement and thereby unfavorably influence the economic return of the Subproject; and

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

10. The Borrower shall exercise its rights under the Subproject Grant Agreement 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 Subproject Grant Agreement or any provision thereof.

## **SCHEDULE 5**

### **Special Account**

1. For the purposes of this Schedule:
  - (a) the term "eligible Categories" means Categories (1) through (5), 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 of one million dollars (\$1,000,000) to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount of five hundred thousand dollars (\$500,000) until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of one million five hundred thousand Special Drawing Rights (SDR1,500,000).
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 deposit into the Special Account of an amount or amounts, which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the 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;

- (b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

- (c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

- (d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the 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 6**

### **Monitoring and Implementation Indicators**

The indicators for monitoring and evaluating the progress achieved in the carrying out of the Project, referred to in Paragraph 2 (a) of Schedule 4 to this Agreement are the following:

1. 100% of DMG personnel and MMI mining related personnel and at least 100 representatives of local government and NGOs actively involved in social development in mining areas have participated in the project training program before project closure.
2. Average time to grant a mining title maintained below 30 days at project closure;
3. At least 35 enterprises established under Part A of the Project, with project completion reports submitted and evaluated by Closing Date;
4. 20% increase in average household income in the Mining Area compared to the findings reflected in the study pursuant to Part A 5. of the Project;
5. 10% increase since 2001 in average annual investment in mining research by Closing Date; and
6. 10% increase in average cumulative annual minerals exports by project end.