

CONFORMED COPY

CREDIT NUMBER 2726 MAU

Development Credit Agreement

(Private Sector Development Credit)

between

ISLAMIC REPUBLIC OF MAURITANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 22, 1995

CREDIT NUMBER 2726 MAU

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 22, 1995, between ISLAMIC REPUBLIC OF MAURITANIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Association has received two letters from the Borrower, dated April 30, 1995 (respectively, the First Policy Letter and the Second Policy Letter), describing a program of actions, objectives and policies designed to improve: (a) the Borrower's financial and private sectors; and (b) the Borrower's fishing sector (the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Association in the financing of urgently needed imports required during such execution; and

WHEREAS: (B) on the basis, inter alia, of the foregoing, the Association has decided in support of the Program to provide such assistance to the Borrower by making the Credit in three tranches as hereinafter provided;

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 modifications thereof set forth below (the General Conditions) constitute an integral part of this

Agreement:

- (a) Section 2.01, paragraph 9, shall be modified to read:

"Project" means the imports and other activities that may be financed out of the proceeds of the Credit pursuant to the provisions of Schedule 1 to the Development Credit Agreement.";

- (b) the last sentence of Section 3.02 is deleted;

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

"Except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Association or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.";

and

- (d) Section 9.06 (c) shall be modified to read:

"(c) Not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution of the Program referred to in the Preamble to the Development Credit Agreement, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit."

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

- (a) "UM" means the currency of the Borrower;

(b) "SITC" means the Standard International Trade Classification, Revision 3 (SITC, Rev. 3), published by the United Nations in Statistical Papers, Series M, No. 343 (1986);

(c) "BCM" means Banque Centrale de Mauritanie, the central bank of the Borrower;

(d) "MAUSOV" means Societe Mauritanienne-Sovietique, a company established according to the laws of the Borrower, pursuant to a letter of intent signed on March 1, 1980;

(e) "ALMAP" means Societe Algerienne-Mauritanienne de Peche, a company established according to the laws of the Borrower, pursuant to the bylaws signed on February 2nd, 1985;

(f) "ARCB" means Agence pour le Recouvrement des Creances Bancaires, an agency established according to the Borrower's Decret No 93-95/PM of August 21, 1993; and

(g) "Offer for Sale" means, with respect to an enterprise, that the Borrower has:

- (i) prepared a prospectus or information memorandum for the enterprise; and
- (ii) solicited offers for the sale of such enterprise either directly or through advertisement(s) in appropriate newspapers.

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 nineteen million three hundred thousand Special Drawing Rights (SDR 19,300,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 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 and service charges shall be payable semiannually on February 15 and August 15 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 semiannual installments payable on each February 15 and August 15 commencing August 15, 2005 and ending February 15, 2035. Each installment to and including the installment payable on February 15, 2015 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.

ARTICLE III

Particular Covenants

Section 3.01. (a) The Borrower and the Association shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Schedule 3 to this Agreement.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request.

(c) Without limitation upon the provisions of paragraph (a) of this Section, the Borrower shall exchange views with the Association on any proposed action to be taken after the disbursement of the Credit which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program, including any action specified in Schedule 3 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 2 to this Agreement.

Section 3.03. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with consistently maintained sound accounting practices the expenditures financed out of the proceeds of the Credit.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section, 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, a certified copy of 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, or customs certificates, as appropriate) 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 audits 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.

ARTICLE IV

Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

ARTICLE V

Effective Date; Termination

Section 5.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that the Borrower has enacted banking legislation acceptable to the Association.

Section 5.02. 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 VI

Representatives of the Borrower; Addresses

Section 6.01. 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 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministere du Plan
BP 238
Nouakchott
Mauritania

Cable address:

MINIPLAN
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/ Ismail Ould Iyahi
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Jean-Louis Sarbib
Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. Subject to the provisions set forth or referred to in this Schedule, the proceeds of the Credit may be withdrawn from the Credit Account for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods required during the execution of the Program and to be financed out of such proceeds.

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

(a) expenditures for goods included in the following SITC groups or subgroups, or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Borrower:

Group	Subgroup	Description of Items
112	--	Alcoholic beverages
121	--	Tobacco, unmanufactured, tobacco refuse
122	--	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	--	Radioactive and associated materials
667	--	Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges), nonirradiated for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971	--	Gold, nonmonetary (excluding gold ores and concentrates)

(b) expenditures in the currency of the Borrower or for goods supplied from the territory of the Borrower;

(c) payments made for goods imported prior to the date of this Agreement, except that withdrawals in an aggregate amount not exceeding the equivalent of SDR 3,900,000 may be made on account of payments made for such goods imported before that date but after February 1, 1995;

(d) expenditures for goods procured under contracts costing less than \$10,000 equivalent;

(e) expenditures for goods supplied under a contract which any national or international financing institution or agency other than the Association shall have financed or agreed to finance; and

(f) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption.

3. Withdrawals for expenditures under contracts for the procurement of goods estimated to cost less than \$4,000,000 equivalent may be required by the Association upon the basis of statements of expenditure under such terms and conditions as the Association shall specify.

4. No withdrawal shall be made and no commitment shall be entered into to pay amounts to, or on the order of, the Borrower in respect of expenditures to be financed out of the proceeds of the Credit after the aggregate of the proceeds of the Credit withdrawn from the Credit Account and the total amount of such commitments shall have reached the equivalent of SDR 8,900,000, unless the Association shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Association:

(a) with the progress achieved by the Borrower in the carrying out of the Program;

(b) that the actions described in Part A of Schedule 3 to this Agreement have been taken; and

(c) that the Borrower's macro-economic policy framework is consistent with the objectives of the Program.

5. No withdrawal shall be made and no commitment shall be entered into to pay amounts to, or on the order of, the Borrower in respect of expenditures to be financed out of the proceeds of the Credit after the aggregate of the proceeds of the Credit withdrawn from the Credit Account and the total amount of such commitments shall have reached the equivalent of SDR 14,100,000, unless the Association shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Association:

(a) with the progress achieved by the Borrower in the carrying out of the Program;

(b) that the actions described in Part B of Schedule 3 to this Agreement have been taken; and

(c) that the Borrower's macro-economic policy framework is consistent with the objectives of the Program.

6. If, after the exchange of views described in paragraphs 4 or 5 above, the Association shall have given notice to the Borrower that the progress achieved and actions taken are not satisfactory and, within 90 days after such notice, the Borrower shall not have achieved progress and taken actions satisfactory to the Association, then the Association may, by notice to the Borrower, cancel the unwithdrawn amount of the Credit or any part thereof.

SCHEDULE 2

Procurement

Part A: General

1. 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 (the Guidelines) and the following provisions of this Section,

as applicable.

2. Goods shall be exempted from preshipment price inspection by a third party inspection firm.

Part B: International Competitive Bidding

Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines, subject to the provisions of paragraphs 2.63, 2.64 and 2.65 thereof.

Part C: Other Procurement Procedures

Goods estimated to cost less than \$4,000,000 equivalent per contract may be procured:

1. by purchasers required to follow the Borrower's public procurement procedures for the importation of goods, under contracts awarded in accordance with such procedures, provided that such procedures shall have been found acceptable by the Association; and

2. by other purchasers:

(a) 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; or

(b) in the circumstances described in paragraph 3.7 of the Guidelines, under direct contracting procedures in accordance with the provisions of said paragraph of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Prior Review

With respect to each contract estimated to cost more than \$4,000,000 equivalent, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

2. Post Review

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

SCHEDULE 3

Conditions for the Release of the Second and Third Tranche of the Credit

Part A: Actions referred to in Paragraph 4 (b) of Schedule 1 to this Agreement (Conditions for Release of Second Tranche)

1. The Borrower has provided evidence satisfactory to the Association that, since January 1, 1995, ARCB has recovered eight hundred million UM (UM 800,000,000), in accordance with the implementation of its bank loan recovery program as set forth in paragraphs 21 and 25 of the First Policy Letter.

2. The Borrower has adopted professional standards for the auditing and accounting profession in accordance with the Program so as to meet the objectives set forth in paragraph 54 of the First Policy Letter.

3. The Borrower has provided evidence, satisfactory to the Association, that each commercial bank operating within the territory of the Borrower has met the capital adequacy requirements specified in the Borrower's banking legislation referred to in Section 5.01 of the Development Credit

Agreement.

4. The Borrower, in accordance with the Program, has made an Offer for Sale of MAUSOV and ALMAP.

5. The Borrower has raised the access charges for fishing of demersal and cephalopod to 8% of the estimated yield value so as to meet the objectives set forth in paragraph 23 of the Second Policy Letter.

Part B: Actions referred to in Paragraph 5 (b) of Schedule 1 to this Agreement (Conditions for Release of Third Tranche)

1. The Borrower has provided evidence satisfactory to the Association that, since January 1, 1995, ARCB has recovered one billion five hundred million UM (UM 1,500,000,000) in accordance with the implementation of its bank loan recovery program set forth in paragraphs 21 and 25 of the First Policy Letter.

2. The Borrower has raised the access charges for fishing of demersal and cephalopod to 11% of the estimated yield value so as to meet the objectives set forth in paragraph 23 of the Second Policy Letter.

3. The Borrower has submitted to Parliament for approval proposed laws, acceptable to the Association, regulating the following subjects: (a) commercial code; (b) commercial and civil procedure code; and (c) investment code; with a view to meet the objectives set forth in paragraphs 53 and 54 of the First Policy Letter.

4. The Borrower has submitted to Parliament for approval proposed mining legislation, acceptable to the Association, to regulate the Borrower's mining industry, which satisfies the objectives set forth in paragraph 57 of the First Policy Letter.

5. The Borrower has provided evidence, satisfactory to the Association, that each commercial bank operating within the territory of the Borrower has met the capital adequacy requirements specified in the Borrower's banking legislation referred to in Section 5.01 of the Development Credit Agreement.

