

CONFORMED COPY

CREDIT NUMBER 2166 MAU

(Public Enterprise Sector Adjustment Credit)

between

ISLAMIC REPUBLIC OF MAURITANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 18, 1990

CREDIT NUMBER 2166 MAU

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 18, 1990, between ISLAMIC REPUBLIC OF MAURITANIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Association has received a letter dated May 25, 1990, from the Borrower describing a program of actions, objectives and policies designed to achieve adjustment of the Borrower's public enterprise sector (hereinafter called 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;

(B) the Borrower intends to contract from Japan a loan (the Japanese Loan) in an amount equivalent to fifty million dollars (\$50,000,000) to assist in financing part of the imports required during the execution of the Program on the terms and conditions set forth in an agreement (the Japanese Loan Agreement) to be entered into between the Borrower and Japan;

(C) the Borrower intends to contract from Kreditanstalt für Wiederaufbau of the Federal Republic of Germany (KfW) a loan (the KfW Loan) in an amount equivalent to six million Deutsch marks (DM6,000,000) to assist in financing part of the imports required during the execution of the Program on the terms and conditions set forth in an agreement (the KfW Loan Agreement) to be entered into between the Borrower and KfW;

(D) the Borrower intends to contract from the Kingdom of Spain (Spain) a loan (the Spanish Loan) in an amount equivalent to five million dollars (\$5,000,000) to assist in financing part of the imports required during the execution of the Program on the terms and conditions set forth in an agreement (the Spanish Loan Agreement) to be entered into between the Borrower and Spain; and

(E) 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) 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."; and

(c) the last sentence of Section 3.02 is deleted.

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) "BCM" means Banque Centrale de Mauritanie;

(b) "OPT" means Office des Postes et des Telecommunications;

(c) "PANPA" means Port Autonome de Nouakchott dit Port de l'Amitie;

(d) "SEM" or "societe d'economie mixte" has the same meaning as in Ordonnance No.09/90 relating to public enterprises, adopted by the Comité Militaire de Salut National of Mauritania on April 4, 1990;

(e) "SITC" means the Standard International Trade Clas-

sification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 343 (1986);

(f) "SMCP" means Societe Mauritanienne de Commercialisation du Poisson;

(g) "SMCPP" means Societe Mauritanienne de Commercialisation des Produits Petroliers;

(h) "SNIM" means Societe Nationale Industrielle et Miniere;

(i) "SNIM Subsidiary Agreement" means the agreement to be entered into between the Borrower and SNIM pursuant to Section 3.03 of this Agreement, as same may be amended from time to time, and such term includes all schedules to the SNIM Subsidiary Agreement;

(j) "SOMIR" means Societe Mauritanienne des Industries de Raffinage;

(k) "SONELEC" means Societe Nationale d'Eau et d'Electricite;

(l) "SONIMEX" means Societe Nationale d'Import-Export; and

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

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to thirty million seven hundred thousand Special Drawing Rights (SDR 30,700,000).

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.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account in BCM on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1992 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 ( $\frac{3}{4}$  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 June 1 and December 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 June 1 and December 1 commencing December 1, 2000 and ending June 1, 2030. Each installment to and including the installment payable on June 1, 2010 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. (a) BCM 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.

(b) Without limitation or restriction to the foregoing, the Borrower hereby entrusts BCM with responsibility for the preparation of withdrawal applications under the Credit and for the collection of the documents and other evidence to be furnished to the Association in support of such applications; such withdrawal applications shall to the extent practicable be consolidated so as to apply for withdrawal of aggregate amounts of not less than \$1,000,000 equivalent.

### 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.

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 conclude a subsidiary agreement with SNIM, whereby it shall undertake to pass on, as an additional equity contribution to the share capital of SNIM, an aggregate amount of \$55,000,000 equivalent, corresponding to a part of the local counterpart funds generated by the sale of the foreign exchange made available to the Borrower under the Program.

(b) The subsidiary agreement under paragraph (a) above shall be on such terms and conditions as shall be acceptable to the Association, including:

- (i) an action plan acceptable to the Borrower and the Association, giving details of the major actions that SNIM will be required to undertake in order to strengthen the management of the Guelbs' plant and improve its plant availability;
- (ii) details of the proposed financial restructuring and operational plan of SNIM; and
- (iii) provisions for a reporting system that will enable the Borrower and the Association to monitor progress in the implementation of the action plan under sub-paragraph (i) above, and the financial restructuring and operational plan under sub-paragraph (ii) above.

Section 3.04. The Borrower shall exercise its rights under the SNIM Subsidiary 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 SNIM Subsidiary Agreement or any provision thereof.

Section 3.05. (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 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, 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) 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 Events of Suspension

Section 4.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

- (a) a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out;
- (b) the Borrower or SNIM shall have failed to perform any of its obligations under the SNIM Subsidiary Agreement; and
- (c)
  - (i) subject to sub-paragraph (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 imports required for the execution of the Program shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor; or
    - (B) any such loan shall have become due and payable prior to the agreed maturity thereof;
  - (ii) sub-paragraph (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 are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 4.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) an event specified in paragraph (b) of Section 4.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower; and

(b) an event specified in paragraph (c) (i) (B) of Section 4.01 of this Agreement shall occur, subject to the proviso of paragraph (c) (ii) of that Section.

#### ARTICLE V

##### Effective Date; Termination

Section 5.01. 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 Association is satisfied with the progress achieved by the Borrower in carrying out the Program and that the macro-economic policy framework of the Borrower is consistent with the objectives of the Program.

(b) The SNIM Subsidiary Agreement has been duly concluded between the Borrower, on the one hand, and SNIM, on the other.

Section 5.02. The following is specified as an additional matter, 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, namely, that the SNIM Subsidiary Agreement has been duly signed and ratified on behalf of the Borrower and SNIM, respectively, and is legally binding upon the parties thereto in accordance with its terms.

Section 5.03. 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 VI

##### Representatives of the Borrower; Addresses

Section 6.01. Except as provided in Section 2.09 (a) of this Agreement, the Minister of Planning and Employment 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:

Ministry of Planning and Employment  
B.P. 238  
Nouakchott  
Islamic Republic of Mauritania

Cable address:	Telex:
MPDI Nouakchott	540 MTN

##### For the Association:

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

Cable address:	Telex:
INDEVAS	248423 (RCA)

Washington, D.C. 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/ Abdellahi Ould Daddah  
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. 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	718.1	Nuclear reactors, and parts thereof, fuel elements (cartridges), nonirradiated for nuclear reactors
Group	Subgroup	Description of Items



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 expenditures prior to the date of this Agreement, except that withdrawals in an aggregate amount not exceeding the equivalent of SDR 6,000,000 may be made on account of payments made for such expenditures before that date but after March 1, 1990;

(d) expenditures for goods procured under contracts costing less than \$5,000 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;

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

(g) expenditures in excess of an aggregate amount equivalent to SDR 15,330,000 for petroleum products and foodstuffs.

3. Withdrawals for expenditures under contracts for the procurement of goods estimated to cost less than \$1,000,000 may be permitted 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:

(a) 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 13,800,000, 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 macro-economic policy of the Borrower is consistent with the objectives of the Program; and (c) that the actions described in Part A of Schedule 3 to this Agreement have been taken; and

(b) 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 23,000,000, 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 macro-economic policy of the Borrower is consistent with the objectives of the Program; and (c) that the actions described in Part B of Schedule 3 to this Agreement have been taken.

5. If, after an exchange of views described in paragraph 4 above, the Association shall have given notice to the Borrower that the macro-economic framework of the Borrower is not consistent with the objectives of the Program or 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

1. Contracts for the procurement of goods estimated to cost the equivalent of \$2,000,000 or more each shall be awarded through international competitive bidding in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines), subject to the following modifications:

(a) Paragraph 2.8 of the Guidelines is deleted and the following is substituted therefor:

#### "2.8 Notification and Advertising

The international community should be notified in a timely manner of the opportunity to bid. This will be done by advertising invitations to apply for inclusion in a bidder's invitation list, to apply for prequalification, or to bid; such advertisements should be placed in at least one newspaper of general circulation in the Borrower's country and, in addition, in at least one of the following forms:

- (i) a notice in the United Nations publication, Development Forum, Business Edition; or
- (ii) an advertisement in a newspaper, periodical or technical journal of wide international circulation; or
- (iii) a notice to local representatives of countries and territories referred to in the Guidelines, that are potential suppliers of the goods required."

(b) The following is added at the end of paragraph 2.21 of the Guidelines:

"As a further alternative, bidding documents may require the bidder to state the bid price in a single currency widely used in international trade and specified in the bidding documents."

(c) Paragraphs 2.55 and 2.56 of the Guidelines are deleted.

2. Contracts for the procurement of goods estimated to cost the equivalent of less than \$2,000,000 shall be awarded:

(a) by purchasers required to follow the Borrower's public procurement procedures for the importation of goods, on the basis of such procedures, provided that such procedures shall have been found acceptable by the Association;

(b) by other purchasers, in accordance with established commercial practice, provided that such contracts shall be awarded on the basis of evaluation and comparison of quotations obtained from suppliers from at least two countries, except that direct contracting procedures acceptable to the Association may be used where considered appropriate under paragraph 3.5 of the Guidelines; and

(c) by any purchasers, for the supply of commodities, on the basis of evaluation and comparison of quotations obtained from more than one supplier.

3. With respect to each contract referred to in paragraph 1 of this Schedule, the Borrower shall furnish to the Association, prior to the submission to the Association of the first application for withdrawal of funds from the Loan Account in respect of such

contract, two conformed copies of such contract, together with the analysis of the respective bids and recommendations for award, a description of the advertising and tendering procedures followed and such other information as the Association shall reasonably request. Where payments under a contract are to be made out of the proceeds of the Special Account, such copies together with the other information required to be furnished to the Association pursuant to this paragraph shall be furnished to the Association as part of the evidence required under paragraph 4 of Schedule 4 to this Agreement.

4. With respect to each contract referred to in paragraph 2 of this Schedule, the Borrower shall furnish to the Association, prior to the submission to the Association of the first application for withdrawal of funds from the Loan Account in respect thereof, such documentation and information as the Association may reasonably request to support withdrawal applications in respect of such contract. Where payments under a contract are to be made out of the proceeds of the Special Account, the documentation and the information to be furnished to the Association pursuant to the provisions of this paragraph shall be furnished to the Association as part of the evidence required under paragraph 4 of Schedule 4 to this Agreement.

5. The provisions of the preceding paragraph 4 of this Schedule shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure.

6. The Borrower shall retain the services of a suitably qualified and experienced pre-shipment inspection agency which will be required, prior to each shipment, to verify:

(a) in the case of goods imported under contracts to which paragraph 1 of this Schedule applies, the quality and quantity of such goods; and

(b) in the case of all other goods imported under the Project, the quality, quantity and price of such goods.

### SCHEDULE 3

#### Actions Referred to in Paragraphs 4(a)(ii) and 4(b)(ii) of Schedule 1 to this Agreement

#### A. Conditions of Release of Second Tranche

1. The Borrower has (a) made adequate allocations in the 1991 budget for payment of the services of SONELEC, SMCPP and OPT, and for the surveillance of fishing waters off the coast of Mauritania, and (b) taken all other measures necessary to avoid the recurrence of new arrears, including the prompt payment of all amounts due to SONELEC, SMCPP and OPT during the preceding twelve (12) months' period.

2. The Borrower has reduced by at least fifty percent (50%) the level of arrears due to public enterprises as of the date of this Agreement, net of arrears due by the enterprises themselves, which the Borrower is entitled to off-set.

3. The Borrower has achieved satisfactory progress in the implementation of the restructuring and action plans for SONELEC, OPT, Air Mauritanie, SMCP and PANPA.

4. The Borrower has concluded performance contracts with Air Mauritanie and PANPA.

5. The Borrower has (a) achieved satisfactory progress in the implementation of the financial restructuring and operational plan of SNIM; and (b) agreed with the Association on a satisfactory financing plan and project management arrangements for the development of the new iron ore deposit at M'haoudat.

6. The Borrower has conducted a review, satisfactory to the Association, of all of its SEMs and has taken necessary steps to phase out of its portfolio not less than half of those whose financial performance has been found to be unsatisfactory.
7. The number of staff employed in public enterprises as of January 1, 1990 has been reduced by not less than 800 altogether.
8. The Borrower has, not later than September 30, 1990, abolished the monopoly of SONIMEX on the importation and distribution of rice.
9. The Borrower has taken necessary steps to have a study conducted on the future of SOMIR.
10. The new accounting system and budgetary procedures introduced by the Borrower, to monitor the financial performance of the public enterprise sector, have been extended to all enterprises in the sector.
11. The Borrower has made satisfactory progress in the provision of severance pay and other forms of assistance in favor of employees who are declared redundant as a result of the Program.

B. Conditions of Release of Third Tranche

1. The Borrower has (a) made adequate allocations in the 1992 budget for payment of the services of SONELEC, SMCPP and OPT, and for the surveillance of fishing waters off the coast of Mauritania; and (b) taken all other measures necessary to avoid the recurrence of new arrears, including the prompt payment of all amounts due to SONELEC, SMCPP and OPT during the preceding twelve (12) months' period.
2. The Borrower has completed the full settlement of all remaining arrears due to public enterprises as of the date of this Agreement, net of arrears due by the enterprises themselves, which the Borrower is entitled to off-set.
3. The Borrower has maintained satisfactory progress in the implementation of the restructuring and action plans for SONELEC, OPT, Air Mauritanie, SMCP and PANPA.
4. The Borrower has concluded a performance contract with OPT.
5. The Borrower has maintained satisfactory progress in the implementation of the financial restructuring and operational plan of SNIM.
6. The Borrower has taken all necessary steps to phase out of its portfolio all those of its SEMs whose financial performance has been found to be unsatisfactory.
7. The Borrower has abolished the monopoly of SONIMEX on all its products.
8. The Borrower has continued to make satisfactory progress in the provision of severance pay and other forms of assistance in favor of employees who are declared redundant as a result of the Program.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods required during the execution of the Program and to be financed out of the proceeds of the Credit in accordance with the provisions of Schedule 1 to this Agreement; and

(b) the term "Authorized Allocation" means an amount equivalent to \$6,000,000 to be withdrawn from the Credit Account and deposited in 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 in 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, 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 Program, 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 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.

