

OFFICIAL DOCUMENTS

GRANT NUMBER D264-MR

Financing Agreement

**(Second Fiscal Consolidation and Private Sector Reform
Development Policy Financing)**

between

ISLAMIC REPUBLIC OF MAURITANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

GRANT NUMBER D264-MR

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between ISLAMIC REPUBLIC OF MAURITANIA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, *inter alia*, of: (i) the actions which the Recipient has already taken under the Program and which are described in Section I.A. of Schedule 1 to this Agreement; and (ii) the Recipient's maintenance of an adequate macroeconomic policy framework. The Recipient and the Association therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient a grant, deemed by the Association to be on concessional terms, as set forth or referred to in this Agreement, in an amount equivalent to eighteen million six hundred thousand Special Drawing Rights (SDR 18,600,000) ("Financing").
- 2.02. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.03. The Payment Dates are April 15 and October 15 in each year.
- 2.04. The Payment Currency is Dollar.
- 2.05. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Recipient shall promptly furnish to the Association such information relating to the provisions of this Article II as the Association may, from time to time, reasonably request.

ARTICLE III — PROGRAM

- 3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:

- (a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient's macroeconomic policy framework and the progress achieved in carrying out the Program and the actions specified in Section I of Schedule 1 to this Agreement;
- (b) prior to each such exchange of views, the Recipient 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; and
- (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following, namely that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following, namely that the Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient's macroeconomic policy framework.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 5.03. For purposes of Section 10.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is minister responsible for finance.
- 6.02. For purposes of Section 11.01 of the General Conditions: (a) the Recipient's address is:

Ministère de l'Economie et des Finances
BP 238
Nouakchott

Mauritania

(b) the Recipient's Electronic Address is:

Facsimile:
222-45-25-33-35

6.03. For purposes of Section 11.01 of the General Conditions: (a) The Association's address is:

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

(b) the Association's Electronic Address is:

Telex: 248423 (MCI) Facsimile: 1-202-477-6391

AGREED as of the Signature Date.

ISLAMIC REPUBLIC OF MAURITANIA

By

M. Daddah
Authorized Representative
Name: DADDAH
Title: Ambassador
Date: 12/21/17

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Ivan M. Peter
Authorized Representative
Name: Ivan M. Peter
Title: Country Program Coordinator
Date: 12-21-2017

SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

- A. **Actions Taken Under the Program.** The actions taken by the Recipient under the Program include the following:
1. The Ministry of Economy and Finance, based on a policy communiqué No. 00001360 dated August 9, 2017 to the Council of Ministers, has notified the companies in full breach of their investment agreements that their tax and customs incentives, awarded under the 2012 Investment Code, are revoked, effective January 1, 2018.
 2. The Ministry of Economy and Finance has adopted the legal provisions in *Projet de Loi N 477-2017 portant Loi de Finances Initiale pour l'année 2018* for a comprehensive transfer pricing documentation and disclosure requirements as well as an effective anti-abuse provisions, which limit an entity's net interest deductions to a fixed percentage of its profit, measured using earnings before interest, taxes, depreciation and amortization.
 3. The Council of Ministers has adopted *Décret N 2017-126/P.M/ abrogeant et remplaçant les dispositions des décrets d'application de la loi 2010-044 du 22 juillet 2010 portant Code des marchés publics*, a decree correcting deficiencies in the implementation of the Public Procurement Law, including clarifying regulations governing the composition, organization, and operations of the procurement commissions and designating specific officials responsible for procurement in each contracting authority, and has published it in the official gazette.
 4. The Council of Ministers has adopted *Décret N 2017-128/P.M/ portant de certaines dispositions de la Loi 2005-020 du 30 janvier 2005 relative à la maîtrise d'ouvrage publique et aux conditions dans lesquelles elle peut être déléguée*, the implementation decrees for Law 2005-020, reorganizing the project award and project management processes, and regulating the contracting arrangement between the government and state-owned enterprises, and published it in the official gazette.
 5. The Minister of Economy and Finance has issued a policy communiqué No.00001000 MEF/SG dated November 6, 2017, instructing the expansion of the treasury management system (RACHAD) to encompass the revenues and expenditures of all eligible public agencies, starting January 1, 2018, as a means to reduce fiscal risks and enable budgetary savings.

6. The Public Private Partnerships Law is made operational through: (a) the adoption and publication in the official gazette of *Décret N 2017-125 PM/portant application de la loi n 2017-006 du 01 février 2017 relative au Partenariat Public-Privé*, the PPP executive decree, by the Council of Ministers that defines the institutional, procedural, and governance set-ups for PPP projects; and (b) the adoption and publication in the official gazette of *Arrêté N 0915/MEF fixant les seuls des procédures applicables aux projets partenariats public-privé*, the order by the Minister of Economy and Finance setting thresholds for PPP projects requiring inter-Ministerial approval.
7. The Recipient has enacted *Loi N. 2017-014 portant code des droits reels*, a new law for property rights that reconciles and consolidates the current property rights regimes, and published it in the official gazette.
8. The Minister of Interior and Decentralization, the Minister of Housing, Urban Development, and Land-Use Management, the Minister of Budget, and the Minister of Economy and Finance have issued and published in the official gazette *Arrêté conjoint N0914/MEF/MIDEC/MHUAT/MDMEFCB fixant les modalités d'instruction des demandes de concession définitive en milieux urbains*, a joint order laying down the new simplified modalities for processing demands for the final concession on property in urban areas, with the objective of expediting the property title granting process.
9. (a) The Council of Ministers has adopted *Décret N 2017-0117PM/ME/relatif à la réglementation d'exploitation des infrastructures d'élevage* and *Décret N2017-0116 de la 27/09/2017 portant organisation de la profession vétérinaire en Mauritanie*, decrees codifying professional standards and qualifications for veterinarians and defining applicable requirements and institutional framework for the livestock sector, including for establishing livestock farms, vaccination parks, livestock markets, and slaughterhouses; and these decrees are consistent with the World Organization of Animal Health (OIE) standards; (b) the Minister of Livestock has issued *Arrêté conjoint ME/MFP/EMAP/MCA N. 0822/relatif à l'organisation des métiers d'élevage*, *Arrêté N. 0821 ME/portant création d'un système national d'information sur l'élevage (SNIE) et organisant le programme chargé de sa mise en œuvre*, and *Arrêté N. 0820/ME relatif à l'organisation et au fonctionnement des ateliers de transformation de viandes*, new orders defining conditions for meat utilization and transformation and describing the organization of the livestock profession and sectoral information systems; and (c) these decrees and orders have been published in the official gazette.

Section II. Availability of Financing Proceeds

A. General. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.

B. Allocation of Financing Amounts. The Financing is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing proceeds. The allocation of the amounts of the Financing to this end is set out in the table below:

Allocations	Amount of the Financing Allocated (expressed in SDR)
Single Withdrawal Tranche	18,600,000
TOTAL AMOUNT	18,600,000

C. Withdrawal Tranche Release Conditions.

1. No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied: (a) with the Program being carried out by the Recipient; and (b) with the adequacy of the Recipient's macroeconomic policy framework.

D. Deposit of Financing Amounts.

1. The Recipient shall open, prior to furnishing to the Association the first request for withdrawal from the Financing Account, and thereafter maintain the following two deposit accounts on terms and conditions satisfactory to the Association:

(a) a deposit account in US Dollars ("Foreign Currency Deposit Account");
and

(b) a deposit account in Oughyia ("Local Currency Deposit Account").

2. All withdrawals from the Financing Account shall be deposited by the Association into the Foreign Currency Deposit Account. Upon each deposit of an amount of the Financing into the Foreign Currency Deposit Account, the Recipient shall deposit an equivalent amount into the Local Currency Deposit Account. All amounts withdrawn from the Local Currency Deposit Account shall be used exclusively for Eligible Expenditures

E. Audit. Upon the Association's request, the Recipient shall:

1. have the Deposit Accounts audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;

2. furnish to the Association as soon as available, but in any case, not later than four months after the date of the Association's request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request, and make such report publicly available in a timely fashion and in a manner acceptable to the Association; and
3. furnish to the Association such other information concerning the Deposit Accounts and their audit as the Association shall reasonably request.

F. Closing Date. The Closing Date is December 31, 2018.

APPENDIX

Section I. Definitions

1. “Deposit Accounts” means both the Foreign Currency Deposit Account and the Local Currency Deposit Account.
2. “Foreign Currency Deposit Account” means the account referred to in Part D.1(a) of Section II of Schedule 1 to this Agreement.
3. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated July 14, 2017.
4. “Local Currency Deposit Account” means the account referred to in Part D.1(b) of Section II of Schedule 1 to this Agreement.
5. “OIE” means the World Organization of Animal Health.
6. “PPP” means public private partnerships.
7. “Program” means the program of objectives, policies, and actions designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated November 3, 2017 from the Recipient to the Association declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program’s objectives.
8. “Public Private Partnerships Law” means *Loi No 2017-006 relative au partenariat public-privé*.
9. “Public Procurement Law” means *Loi No 2010-044 portant code des marchés publics*.
10. “RACHAD” means *Réseau Automatisé de Chaîne de la Dépense*, the Automated Expenditure – Chain System within the Recipient’s Ministry of Economy and Finance.
11. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.

12. "Single Withdrawal Tranche" means the amount of the Financing allocated to the category entitled "Single Withdrawal Tranche" in the table set forth in Part B of Section II of Schedule 1 to this Agreement.