

CONFORMED COPY

CREDIT NUMBER 3505 NIR

Development Credit Agreement

(Water Sector Project)

between

REPUBLIC OF NIGER

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 8, 2001

CREDIT NUMBER 3505 NIR

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 8, 2001 between REPUBLIC OF NIGER (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received two letters, dated March 8, 2001 2001, from the Borrower, describing a program of actions, objectives and policies designed to strengthen the performance of the Borrower's water sector in general and its rural water sector in particular (both cumulatively called "the Program") and declaring the Borrower's commitment to the execution of the Program;

(B) 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;

(C) the Borrower has contracted from the French Agency for Development, the West African Development Bank, the People's Republic of China and other donors (hereafter cumulatively referred to as Donors) loans or grants in an aggregate amount of approximately 20,000,000 Dollars to assist in financing the Program on the 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 ;

(D) Part B of the Project will be carried out by Société de Patrimoine des Eaux du Niger (SPEN) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to SPEN part of the proceeds of the Credit as

provided in this Agreement; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower, in support of the Project, upon the terms and conditions set forth in this Agreement and the Project Agreement of even date herewith between the Association and SPEN;

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), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 11 of Resolution No. 194 of the Board of Governors of the Association, adopted on April 8, 1999; and 'Participating Countries' means, collectively, all such countries." ; and

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

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country 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."

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) "AEP" means Alimentation en eau potable, the provision of drinking water through appropriate installations;

(b) "ARM" means Autorité de Régulation Multisectorielle, the Borrower's regulatory agency established and operating pursuant to Ordonnance No. 99-044 dated October 26, 1999;

(c) "Authorized Allocation" means the amount set forth in paragraph 1 (a) of Annex A to Schedule 1 to this Agreement;

(d) "BEEEI" means Bureau des Evaluations Environnementales et des Etudes d'Impact, a Directorate in Ministère de l'Environnement et de la Lutte contre la Désertification, the Borrower's Ministry of Environment;

(e) "DRE" means Direction des Ressources en Eau, a Directorate in MRE (as hereinafter defined);

(f) "Eligible Categories" means the categories set forth in paragraph 4 of Part B of Schedule 1 to this Agreement;

(g) "Eligible Expenditures" means the expenditures in respect of the reasonable cost of goods, works 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 paragraph 1 of Part A of Schedule 1 to this Agreement;

(h) "FCFA" means Franc de la Communauté Financière Africaine, the currency of the Borrower;

- (i) "Fiscal Year" and "FY" means the fiscal year of the Borrower starting January 1 and ending December 31 each calendar year;
- (j) "Gogo-Machaya" means an area in the province of Zinder in the territory of the of the Borrower;
- (k) "IEC" means information, education and communication campaigns;
- (l) "Lease Contract" means the contract referred to in Section 6.01 (b) of this Agreement between the Borrower and SEEN (as hereinafter defined);
- (m) "Mini-AEPs" means small installations established and operating under the laws of the Borrower for the supply of AEP in rural areas of the Borrower's territory;
- (n) "MRE" means Ministère des Ressources en Eau, the Borrower's Ministry of Water Resources;
- (o) "NGO" means an independent private non-governmental organization, established and operating under the laws of the Borrower;
- (p) "Niamey" means the capital city of the Borrower;
- (q) "PGE" (Plan de Gestion Environnementale) means the environmental management plan included in the Project Implementation Manual (as hereinafter defined);
- (r) "Performance Indicators" means the monitoring and performance indicators listed in Schedule 5;
- (s) "Project Agreement" means the agreement between the Association and Société de Patrimoine des Eaux du Niger (SPEN) (as hereinafter defined) of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;
- (t) "Project Implementation Manual" means the manual referred to in Part A of the Schedule 4 to this Agreement and supporting handbooks including, inter alia, work-plans, participatory monitoring and performance indicators and procedures to be used by the Borrower and SPEN for the purpose of carrying out the Project, as the same may be amended from time to time with the approval of the Association, and such term includes any schedules to said Manual, which comprise, inter alia; (i) the procedural manual for urban sanitation; (ii) the PGE; and (iii) the guidelines to determine water tariff increases based on the financial model of the urban water subsector.
- (u) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement;
- (v) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower, pursuant to an exchange of letters dated August 9, 1999, and August 31, 1999, respectively, between the Borrower and the Association;
- (w) "SEEN" means 'Société d'Exploitation des Eaux du Niger', the Borrower's water supply company established pursuant to Acte notarial d'enregistrement au Registre du Commerce sous le No. RCCM 6022, dated March 7, 2001;
- (x) "Special Account" means the account referred to in Part B of Schedule 1 to this Agreement;
- (y) "SPEN" means Société de Patrimoine de l'Eau du Niger, a State enterprise established and operating pursuant to the Borrower's law No. 2000-12, dated August 14, 2000;
- (z) "SPEN Equity Financing" means part of the amount under the Credit made available to SPEN as non-reimbursable grant under terms and conditions provided for in the SPEN Equity Financing Agreement (as hereinafter defined);
- (aa) "SPEN Equity Financing Agreement" means the agreement referred to in Section 3.01 (b) (ii) of this Agreement;
- (bb) "SPEN Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and SPEN pursuant to Section 3.01 (b) (i) of this Agreement, as

the same may be amended from time to time, and such term includes all schedules to the SPEN Subsidiary Loan Agreement; and

(cc) "UCP" means Unité de Coordination du Projet, the Project Coordination Unit established pursuant to the Arrêté No. 99/MHE/DIH, dated December 20, 1999.

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 this Agreement, an amount in various currencies equivalent to thirty-seven million three hundred thousand Special Drawing Rights (SDR 37,300,000).

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

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

Section 2.03. The Closing Date shall be December 31, 2006, 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 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 semi-annually on June 1 and December 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 semi-annual installments payable on each June 1 and December 1, commencing June 1, 2011 and ending December 1, 2040. Each installment to and including the installment payable on December 1, 2020 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 semi-annual 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 French Republic is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project Use of the Proceeds of the Credit

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:

- (i) shall carry out Parts A, C, D, and E of the Project, with due diligence and efficiency and in conformity with appropriate administrative, financial, environmental and technical practices, and in accordance with the implementation program set forth in Schedule 4 to this Agreement, and shall provide, promptly as needed, the funds, facilities, services and other resources required for said Parts of the Project;
- (ii) shall cause SPEN to carry out Part B of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, environmental and technical practices, and in accordance with the provisions of the Project Agreement and the implementation program set forth in Schedule 4 to this Agreement, and shall provide, promptly as needed, the funds, facilities, services and other resources necessary or appropriate to enable SPEN to perform such obligations concerning the carrying out of Part B of the Project and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall:

- (i) relend part of the proceeds of the Credit from time to time allocated to Categories (1) (b) and (3) set forth in the table in paragraph A.1 of Schedule 1 to this Agreement under an agreement (the SPEN Subsidiary Loan Agreement) in an amount not exceeding nine million Special Drawing Rights equivalent (SDR 9,000,000), to be entered between the Borrower and SPEN under terms and conditions which shall have been approved by the Association, including provisions requiring: (i) repayment of the principal in semi-annual installments over twenty years, including ten years of grace on the principal amount; (ii) interest rate of 5.4 per cent per annum on the principal amount withdrawn and outstanding from

time to time; and (iii) the costs of fluctuations in the currencies lent under the SPEN Subsidiary Loan Agreement to be borne by the Borrower;

(ii) make available as a grant the proceeds of the Credit from time to time allocated to Category (1) of the table in paragraph A.1 of Schedule 1 to this Agreement to SPEN under an agreement (the SPEN Equity Financing Agreement) in an amount not exceeding thirteen million five hundred thousand Special Drawing Rights (SDR 13,500,000), to be entered into between the Borrower and SPEN under terms and conditions which shall have been approved by the Association;

(c) The Borrower shall exercise its rights under the SPEN Subsidiary Loan Agreement and the SPEN Equity Financing Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the objectives of the Project, and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive said Agreements or any provision thereof.

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. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association and furnish to the Association no later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for safeguarding the objectives of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) shall be carried out by SPEN in respect of Part B of the Project pursuant to Section 2.03 of the Project Agreement.

Section 3.05. (a) Without limitation or restriction on the provisions of Section 3.01 of this Agreement, the Borrower and the Association, at the request of either party, shall exchange views on the progress achieved in the carrying out of the Project.

(b) The Borrower shall cause SPEN to partake in such exchange of views, at the request of the Association.

(c) Prior to 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 Project, in such detail as the Association shall reasonably request, indicating, inter alia, SPEN's views if at variance with those of the Borrower.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in a form acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have: (A) the records, accounts and financial statements referred to in paragraph (a) of this Section, and (B) the records and accounts for the Special Account for each fiscal year, audited in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the

Association;

(ii) furnish to the Association as soon as available, but in any case no later than six months after the end of each such year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such period as so audited, and (B) an opinion on such statements, records and accounts and 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 such records and accounts, and the audit thereof, and concerning said auditors, as the Association may 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 Project Management Reports, or statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate 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 Project Management Reports or 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, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, no later than eighteen months after the Effectiveness Date, or such later date as the Association shall agree, to prepare quarterly Project Management Reports, acceptable to the Association, each of which:

(i) (A) 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, and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;

(ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets, if warranted; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association, no later than 45 days after the end

of each calendar quarter, a Project Management Report for such period.

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) as a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out;

(b) SPEN shall have failed to perform any of its obligations under the Project Agreement, the SPEN Subsidiary Loan Agreement or the SPEN Equity Financing Agreement;

(c) as a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that SPEN will be able to perform its obligations under the Project Agreement, the SPEN Subsidiary Loan Agreement or the SPEN Equity Financing Agreement;

(d) the Borrower's law 2000-12 dated August 14, 2000 (establishing SPEN) shall have been amended, suspended, abrogated, repealed or waived so as to effect materially and adversely the ability of SPEN to perform any of its obligations under the Project Agreement;

(e) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of SPEN or for the suspension of its operations;

(f) (i) Subject to subparagraph (ii) of this paragraph:

- (A) the right of the Borrower to withdraw the proceeds of any grant or loan of a Donor 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 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.

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

(a) any event specified in paragraph (b) of Section 5.01 to this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower;

(b) the event specified in paragraphs (d) or (e) of Section 5.01 to this Agreement shall occur; and

(c) the event specified in paragraph (f) (i) (B) of Section 5.01 to this Agreement shall occur, subject to the proviso of paragraph (f) (ii) of said Section 5.01.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (c) of the General Conditions that:

(a) (i) the SPEN Subsidiary Loan Agreement and (ii) the SPEN Equity Financing Agreement, both in form and substance acceptable to the Association, have been executed among the parties and are binding upon them in accordance with their terms;

(b) the Lease Contract in form and substance acceptable to the Association, has been executed on behalf of the Borrower and SEEN;

(c) the Borrower has:

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

(ii) established in the UCP financial and management procedures and information systems, in form and substance acceptable to the Association, for the performance of the following tasks: (A) accounting and financial information; (B) procurement; and (C) monitoring and evaluation; and

(iii) adopted and furnished to the Association the Project Implementation Manual, in form and substance acceptable to the Association.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the Project Agreement has been duly authorized and executed by SPEN and is legally binding upon SPEN in accordance with its terms;

(b) that the SPEN Subsidiary Loan Agreement has been duly authorized and executed by the Borrower and SPEN and is legally binding upon the Borrower and SPEN in accordance with its terms; and

(c) that the SPEN Equity Financing Agreement has been duly authorized and executed by the Borrower and SPEN and is legally binding upon the Borrower and SPEN in accordance with its terms.

Section 6.03. The date one hundred and twenty (120) 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 responsible for finance 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:

Ministry of Economy and Finance
BP 389
NIAMEY
Republic of Niger

Facsimile:

(227) 73.59.34

For the Association:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable address:	Telex:	Facsimile:
INDEVAS Washington, DC	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 Zinder, Republic of Niger, as of the day and year first above written.

REPUBLIC OF NIGER

By /s/ Ali Badjo Gamatie

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Antoinette Sayeh

Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

A. General

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:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil Works		
(a) for Parts C and D of the Project	4,100,000	90%
(b) for Part B of the Project	22,500,000	80%
(2) Vehicles, Equipment and Materials	250,000	100% of foreign expenditures and 80% of local expenditures
(3) Consultants' services and training	6,600,000	100%

(4)	Operating costs	400,000	90%	
(5)	Refunding of Project Preparation Advance	850,000	Amount due	pursuant to Section 2.02 (b) of this Agreement
(6)	Unallocated	2,600,000		
	TOTAL	37,300,000		

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; provided, however, that if the currency of the Borrower is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be "foreign expenditures"; and

(c) the term "operating costs" means the incremental expenses incurred on account of implementation of the Project, audits, management and monitoring, including office supplies, administrative support, communication and utility services, travel and supervision costs but excluding salaries of officials of the Borrower's civil service;

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) goods under contracts costing less than \$100,000 equivalent each; (b) works under contracts costing less than \$200,000 equivalent each, and (c) services (i) of consulting firms under contracts costing less than \$100,000 equivalent each or (ii) of individual consultants under contracts costing less than \$50,000 equivalent each, all under such terms and conditions as the Association shall specify by notice to the Borrower.

B. Special Account

1. The Borrower shall, for the purposes of the Project, open and maintain in FCFA a Special Account for the Project in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Except as the Association may otherwise specify by notice to the Borrower, all withdrawals from the Credit Account shall be deposited into the Special Account in accordance with the provisions of this Schedule.

2. Except as the Association shall otherwise agree, after the Association has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Credit Account of amounts to be deposited into said Special Account shall be made as follows:

(a) until the Association shall have received: (i) the first Project Management Report referred to in Section 4.02 (b) of this Agreement; and (ii) a request from the Borrower for withdrawal on the basis of Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Association of a Project Management Report pursuant to Section 4.02 (b) of this Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures in accordance with the provisions of this Schedule. 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.

4. For the purposes of this Schedule, the term "Eligible Categories" means Categories 1 (a), (b), (2), (3), and (4) set forth in the table in paragraph A.1 of this Schedule 1.

5. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if the Association determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

(b) if the Association determines at any time that all further withdrawals should be made by the Borrower directly from the Credit Account; or

(c) 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: (i) the records and accounts for the Special Account, or (ii) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

6. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule 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 Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

7. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or 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. 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 determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, 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 sub-paragraph (a), (b) or (c) of this paragraph 7 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of this Agreement.

Annex A to SCHEDULE 1

Operation of the Special Account When Withdrawals Are Not Made On the Basis of Project Management Reports

1. For the purposes of this Annex:

(a) the term "Authorized Allocation" means an amount equivalent to FCFA 1,000,000,000 (one billion FCFA) to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, the Authorized Allocation for.

(b) the Special Account shall be limited to an amount of FCFA 500,000,000 (five hundred million FCFA) 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 equal or exceed the equivalent of SDR 18,000,000 (eighteen million Special Drawing Rights).

2. Withdrawals of the Special Account's Authorized Allocations and subsequent withdrawals to replenish the Special Account should be made as follows:

(a) For withdrawals of the Special Account's Authorized Allocations, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed said Authorized Allocations. 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.

(b) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. 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 Part B.3 of Schedule 1 to this Agreement 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. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of said Special Account's Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of said Special Account's Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit 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 said Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

Annex B to SCHEDULE 1

Operation of Special Account When Withdrawals Are Made On the Basis of Project Management Reports

1. Except as the Association may otherwise specify by notice to the Borrower, all withdrawals from the Credit Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Special Account's Eligible Categories.

2. Each application for withdrawal from the Credit Account for deposit into the Special Account shall be supported by a Project Management Report.

3. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in the Special Account, shall not exceed the equivalent of FCFA 2,000,000,000 (two billion FCFA).

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in increasing sustainable and efficient access to improved potable water and sanitation services in urban and

rural areas of its territory through: (a) improving water production and distribution efficiency and providing affordable sanitation services; (b) strengthening the institutional capacity of MRE in the areas of regulatory oversight and policy formulation and strengthening the management capabilities of ARM and SPEN to monitor and regulate water sector activities; and (c) rehabilitating rural water facilities, developing on-site sanitation services and implementing community-based management of rural water facilities involving private sector participation.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Institutional Strengthening and Capacity Building

1. Institutional Strengthening

(a) Strengthening the capacities of SPEN and ARM on matters related to: (i) water sector regulation; (ii) investment planning and implementation; (iii) financial management, cost accounting and monitoring activities; and (iv) management of the Lease Contract, through the acquisition of equipment, carrying out of workshops, the provision of technical advisory services and training for selected SPEN and ARM staff;

(b) logistical support for SPEN and ARM through the provision of technical advisory services and the acquisition of equipment and materials;

(c) administration, coordination, monitoring, supervision and evaluation of Project implementation through the provision of technical advisory services and training to selected staff in MRE and UCP, and the acquisition of equipment;

(d) preparation and implementation of a new water tariff structure through the provision of technical advisory services; and

(e) carrying out of IEC campaigns to promote: (i) conscious use of drinking water and public standpipes; and (ii) understanding of the public water connections program, through the provisions of technical advisory services.

2. Capacity building

(a) (i) achieving efficiency in the technical and financial management of the water sector by MRE, SPEN and ARM; achieving the increased efficiency of MRE, SPEN, ARM and UCP in procurement; and

(ii) reducing water consumption in selected administrative buildings through the provision of technical advisory services and training to selected staff in MRE, SPEN, ARM and UCP.

(b) The carrying out of IEC initiatives to: (i) alert the public to the objectives of the Borrower's water resource management strategy; (ii) and familiarize the public with the legislative provisions pertaining to the water sector, through the provision of technical advisory services.

(c) Strengthening the capacity of MRE in: (i) groundwater pollution prevention management; (ii) data collection and data management; (iii) water resource management planning and project prioritization; and (iv) user fee collection, through the provision of technical advisory services and training of selected staff in MRE.

Part B: Urban Water Supply

Improving drinking water supply services through:

(a) the rehabilitation and extension of water production and distribution infrastructure in 51 urban centers of which 43 secondary centers are covered by the Lease Contract; and

(b) rehabilitation of internal water distribution networks in selected public buildings.

2. The installation of private water connections, public standpipes and related extensions of the tertiary water distribution networks in 51 urban centers of which 43 secondary centers covered by the Lease Contract.

3. Support to SPEN in:

- (a) carrying out technical studies for AEPs;
- (b) the preparation of bidding documents; and
- (c) supervision of civil works in the urban water investment program, through provision of technical advisory services.

Part C: Rural Drinking Water Supply and Sanitation

1. Rural Drinking Water Supply

- (a) Rehabilitation and/or extension of about fifty existing Mini-AEPs.
- (b) Support to MRE in carrying out technical studies, preparation of bidding documents and supervision of civil works planned in the rehabilitation and extension of Mini-AEPs' civil works through the provision of technical advisory services.
- (c) Strengthening the management of Mini-AEPs' management, including delegation of operations to private operators through the provision of technical advisory services.
- (d) Development and implementation of a regulatory system incorporating decentralized monitoring and support for rural water supply facilities through the provision of technical advisory services and training to selected staff of MRE.
- (e) Strengthening the capacity of selected private operators and representatives of community-based organizations in the areas of management of drinking water supply infrastructure and its monitoring through the provision of training to selected private operators and representatives of community based organizations.

2. Rural Sanitation

- (a) Construction of household latrines in selected rural households.
- (b) Strengthening the capacity of selected masons and other artisans in the construction of household latrines through the provision of technical advisory services and training.
- (c) Carrying out of IEC and marketing campaigns in selected rural areas of the territory of the Borrower to promote: (i) use of household latrines; and (ii) sanitation programs for schools and health centers through the provision of technical advisory services.

Part D: Urban Sanitation

1. Rehabilitation and Construction of Household Latrines

Rehabilitation and construction of private household latrines in selected areas of Niamey through the carrying out of works, the provision of technical advisory services to selected NGOs supervising the rehabilitation and construction works and the provision of training to selected community officials and staff in selected NGOs in accounting and financial management of matching contributions.

2. Rehabilitation and Construction of Public Latrines

(a) Strengthening the management capacity of selected representatives of communities, respective administrators and selected staff in selected NGOs to: (i) jointly identify public sanitation systems in need of rehabilitation or construction, including facilities reserved for the use of women; (ii) carry out town-hall meetings to consult with the population concerned and take their views into consideration; (iii) draft engineering plans to implement said rehabilitation or construction; and (iv) design the respective bidding and contractual procedures, through the provision of technical advisory services.

(b) Carrying out of rehabilitation and extension works of public sanitation systems in Niamey identified under subparagraph (a) of this paragraph 2.

3. Rehabilitation and Construction of Latrines in Public Schools

(a) Rehabilitation and construction of approximately fifty-five sanitation facilities in selected public schools in Niamey through the carrying out of works.

(b) Carrying out of IEC on the benefits of hygienic awareness for selected school children and school teachers, through the provision of technical advisory services.

(c) Strengthening the monitoring and evaluation capacity of selected school administration staff in ensuring hygienic awareness compliance through the provision of technical advisory services to selected school administrative staff.

4. Strengthening the Capacity of Private Sanitation Operators

(a) Provision of technical and entrepreneurial training for selected sanitation operators and artisans in selected urban areas of the territory of the Borrower.

(b) The carrying out of study tours for selected sanitation operators and artisans.

Part E: Environmental Management

1. Environmental Preservation Program in Gogo-Machaya

Designing an environmental development program for Gogo-Machaya aimed at reducing the impact of desertification resulting from ground water exploitation through the provision of technical advisory services to BEEEI.

2. Wastewater Disposal Facilities in Niamey

The carrying out of studies to design wastewater disposal facilities for self-contained sanitation systems in Niamey through the provision of technical advisory services through the provision of technical advisory services to BEEEI.

3. Groundwater Tables

Monitoring of ground water tables under Part B.1 of the Project through the provision of technical advisory services to BEEEI.

4. Strengthening of BEEEI

The strengthening of the administrative and managerial capacity of selected staff in BEEEI in the areas of, inter alia, monitoring of compliance with PGE and interpretation of regulatory texts, through training of selected staff in BEEEI, the acquisition of equipment and the provision of technical advisory services.

* * *

The Project is expected to be completed by June 30, 2006.

SCHEDULE 3

Procurement and Consultants' Services

Section I Procurement of Goods and Works

Part A: General

1. Goods and works shall be procured in accordance with: (a) 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 (b) the provisions of the following Parts of this Section I.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

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

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$100,000 equivalent, or more each.

(b) Preference for domestically manufactured goods and domestic contractors.

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$280,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Works estimated to cost less than \$500,000 equivalent per contract, up to an aggregate amount not to exceed \$4,900,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods estimated to cost less than \$10,000 equivalent per contract, up to an aggregate amount not to exceed \$13,000 equivalent, 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 estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$1,300,000 equivalent, 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 basic form of agreement 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 required work, and who has the experience and resources to complete the contract successfully.

4. Community Participation

Goods for Parts C and D of the Project shall be procured in accordance with the provisions of paragraph 3.15 of the Guidelines.

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

(a) With respect to: (i) each contract for works estimated to cost the equivalent of \$500,000 or more; and (ii) each contract for goods estimated to cost the equivalent of \$100,000 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 Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with (a) 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 in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines), and (b) the provisions of the following Parts of this Section II

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

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 shortlist 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. Least-Cost Selection

Services for supervision of works, and for financial and technical audits may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

Selection Based on Consultants' Qualifications

Services for training estimated to cost less than \$15,000 equivalent per contract, 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 small studies and training that meet the requirements set forth in paragraph 5.1 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.

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 \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$50,000 or more, but less than the equivalent of \$100,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost \$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 the 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

A. General

1. The Borrower shall carry out Parts A, C, D and E of the Project in accordance with the provisions set forth in the Project Implementation Manual and, except as the Association shall otherwise agree, the Borrower shall not amend, cancel or waive any provision thereof if, in the opinion of the Association, such amendment cancellation or waiver may materially and adversely affect the implementation of the Project.

B. Coordination and Management

2. The Borrower shall maintain policies and procedures adequate to enable it, through MRE, to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in the Project Implementation Manual and summarized in the Performance Indicators, the carrying out of the Project and the achievement of the objective thereof;

3. The Borrower shall, until the completion of the Project, maintain UCP in a form and with functions, staffing and resources satisfactory to the Association, including the following staff with qualifications and experience, satisfactory to the Association, namely: (i) the Project Coordinator, (ii) the Deputy Project Coordinator in charge of monitoring and evaluation of Project implementation, and (iii) a specialist in charge of financial management and accounting. The Project Coordinator shall be responsible for furnishing to the Association, for review and comment, the Project progress reports.

C. Annual Reviews and Mid-Term Review

4. The Borrower shall:

(a) prepare, through UCP, under terms of reference satisfactory to the Association, and furnish annually to the Association, for review and comments, until the receipt by the Association of the Project Management Reports referred to in Section 4.02 (b) of this Agreement, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 2 of this Schedule 4, on the progress achieved in the carrying out of the Project during the period preceding the

date of said report, and a draft work program and related budget, including the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the twelve month period following such date (Annual Review). The first such report shall be furnished to the Association no later than December 31, 2002 or such later date as the Borrower and the Association shall determine; and

(b) review with the Association, within four weeks following the submission of the report referred to in subparagraph (a) of this paragraph, 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 views of the Association on the reports.

5. The Borrower shall:

(a) by June 30, 2004, or such other date as the Association shall agree upon, carry out jointly with the Association, a mid-term review (Midterm Review). The Borrower shall invite SPEN and ARM to participate, and take all actions it considers necessary to ensure the participation of representatives of NGOs and civil society, in the Midterm Review. The Midterm Review shall cover the progress achieved in the implementation of the Project and, more specifically reflect on: (i) the sustainability of Project activities throughout the territory of the Borrower, notably the financing of recurrent maintenance costs; (ii) the assessment of the results of studies and works carried out under Part D of the Project; (iii) satisfactory PGE implementation; and (iv) the performance of SPEN, ARM and NGOs under the Project;

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

(c) following such Midterm Review, act promptly and diligently to take any corrective action as shall be recommended by the Association, to attain the objectives of the Project.

D. Specific Actions

6. The Borrower shall:

(a) As of January 1, of each year, beginning January 1, 2002, take all necessary measures to adjust its urban water tariffs to enable SPEN to achieve a targeted financial equilibrium in the urban water sub-sector by December 31, 2006.

(b) For the purpose of the present section, the term "targeted financial equilibrium" is defined as being the cash and near cash balance, positive or nil, for the years 2006 and beyond, as calculated in the urban water supply sub-sector's financial model included in the Project Implementation Manual.

(c) No later than October 31 of each year until the completion of the Project, commencing October 31, 2001, the Borrower shall review the updated financial projections of SPEN, and adjust the annual water tariff, so as to permit the realization of the targeted financial equilibrium referred to in paragraph (a) above.

(d) No later than January 1, 2002, start the implementation of the action plan for reduction of water consumption of the administration of the Borrower under Part A.2 (a) (iii) of the Project pursuant to targeted ratios set in the Performance Indicators and ensure timely payment of bonded public customers within four month after their reception of water bills. For the Purpose of this Section - bonded public customers - means public administration of strategic importance whose payments have been guaranteed by the Borrower, such as hospitals, military installations.

(e) No later than January 1, 2003, prepare and furnish to the Association for approval: (i) a proposal on a new tariff structure for water, to be implemented starting June 30, 2003; (ii) a proposal on a mechanism to apply the annual percentage increase of the water tariff differentially to the various tariff categories; and (iii) implement said proposals taking the recommendations of the Association if any into consideration.

7. The Borrower shall furnish to the Association for its information, semi-annually, for the first time by June 30, 2002, reports, in form and substance acceptable to the Association, on the monitoring of groundwater tables under Part E.3 of the Project.

8. The Borrower shall compensate out of counterpart funds vegetable farmers temporarily affected by works under Part B.1 of the Project in Niamey, promptly upon the beginning of said works for the loss of revenue due to such works.

9. The carrying out of works under Part D.1 of the Project

The Borrower shall request UCP to undertake the following actions prior to extending financing for the construction of private household latrines under Part D.1 of the Project: namely, that UCP shall:

(a) obtain assurances, in form and substance satisfactory to the Association, that a NGO, selected in accordance with criteria set forth in the Project Implementation Manual, has been designated to supervise the works;

(b) confirm that said NGO enters into an agreement with the respective household to the effect that: (i) said household contributes to the installation of said latrines through cash and/or in kind pursuant to criteria set forth in the Project Implementation Manual, and (ii) said household maintains the installations in good working order; and

(c) have established a mechanism assuring that said NGO inspect the maintenance of said latrines and provide appropriate instructions in accordance with guidelines and schedules set forth in the Project Implementation Manual.

10. The Borrower shall, through BEEEI, furnish to the Association for information semi-annually, for the first time by June 30, 2002, a report, in such detail as the Association may reasonably request, on PGE implementation.

SCHEDULE 5

Performance indicators

A. Outcome/Impact Indicators

1. 230,000 additional people receiving water services in urban centers of Niger by 2006;
2. availability of water facilities in rural areas covered by the Project, increased from 52% in 2001 to 55% by 2006 in the rural areas covered by the Project;
3. 40,000 people benefit from on-site sanitation services in peri-urban areas of Niamey covered by the Project by 2006; and
4. sustainable financial equilibrium in urban water subsector reached by year-end 2006.

B. Output Indicators

Improved reliability, quality, quantity, and coverage of water supply services

1. 35,000 qm/day additional water supply in urban areas covered by the Project by 2006;
2. 11,200 new social water connections in urban centers of Niger installed by 2006;
3. 550 new public standpipes installed by 2006;
4. unaccounted-for water in urban areas reduced by 5% by year 2006;
5. water consumption of administrative offices of the Borrower has been reduced by 2.4 million qm/yr by 2006 and the their overall consummation is capped at 8% of SEEN sales by end of 2002;
6. annual tariff increases as follows: 10% for FY 2002; 5% for FY 2004; and 8.5% for FY 2005 and 8.5% for FY 2006, have been applied for the urban water sub-sector;
7. about 50 rural Mini-AEPs have been rehabilitated and 25 of said Mini-AEPs are managed by private operators by 2006;

8. 4,000 individual latrines and/or semi-collective systems have been constructed or rehabilitated in peri-urban areas of Niamey by 2006;
 9. 55 blocks of toilets have been constructed or rehabilitated in public schools of Niamey by 2006;
 10. about 4,000 households have received hygiene and sanitation education.
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