

CONFORMED

CREDIT NUMBER 3856 NIR

Development Credit Agreement

(Financial Sector Technical Assistance Project)

between

REPUBLIC OF NIGER

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 3, 2004

CONFORMED

CREDIT NUMBER 3856 NIR

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 3, 2004, between REPUBLIC OF NIGER (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Association has received from the Borrower a letter dated June 23, 2003, describing a program of objectives and actions designed to improve the efficiency of the Borrower's financial system policy (the Program) and declaring the Borrower's commitment to the execution of the Program; and

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999) (the General Conditions), constitute an integral part of this Agreement.

(a) 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:

(b) “CCPs” means *Centres de chèques postaux*, an independent entity established and operating under the laws of the Borrower processing, *inter alia*, postal cheques;

(c) “CDN” means *Crédit du Niger* a bank established and operating under the laws of the Borrower;

(d) “CNE” means *Caisse Nationale d’Epargne*, the Borrower’s postal savings bank before the reorganization proposed under this Project;

(e) “CNSS” means *Caisse Nationale de Sécurité Sociale*, the Borrower’s social security agency established and operating pursuant to law No 004/65 dated February 8, 1965 of the laws of the Borrower;

(f) “CPCT” means *Caisse de Prêts aux Collectivités Territoriales*, the Borrower’s rural financing support agency established and operating pursuant to law 70/7 of March 17, 1970 of the laws of the Borrower;

(g) “CPP” means *Comité de Pilotage du Projet*, the Borrower’s Project supervision and coordination entity established pursuant to *Arrêté* No. 1159 of June 2, 2003;

(h) “DA” means *Direction d’Assurances*, the Directorate in charge of supervision of insurance institutions in MFE (as hereafter defined);

(i) “Eligible Employees of CDN, Post and CNSS” means employees eligible to receive severance payments in accordance with the laws of the Borrower, including provisions of the Borrower’s Labor Code;

(j) “DMCE” means *Direction de la monnaie et du credit et de l’épargne*, the Directorate in charge of the monitoring of banks and other financial institutions in MFE (as hereafter defined);

(k) “Eligible Expenditures” means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the Eligible Categories in accordance with the provisions of Schedule 1 to this Agreement;

(l) “European Union”, means the European Union having adopted as single currency the Euro, in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union.

(m) "Financial Monitoring Report" or "FMR" means each report prepared in accordance with Section 4.02 of this Agreement;

(n) "Fiscal Year" means the fiscal year of the Borrower commencing January 1 and ending December 31 in the same year;

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

(p) "IEC" means information, education and communication campaigns;

(q) "MFE" means *Ministère des Finances et de l'Economie*, the Borrower's Ministry of Finance;

(r) "ONPE" means *Office Nationale de la Poste et de l'Epargne*, the Borrower's Post Office established pursuant to *Ordonnance* No 28.96 dated June 6, 1996 of the laws of the Borrower;

(s) "Post" means the Borrower's postal service entity, established in accordance with *Ordonnance* No. 28.96, dated June 6, 1996, currently under reorganization, and such term comprises Postal Bank (as hereafter defined) and Postal Office (as hereafter defined);

(t) "Postal Bank" means the postal financing institution to be established under this Project, derived from the merger of CCPs and CNE;

(u) "Postal Office" means the post office to be established under this Project;

(v) "Project Management Report" means each report prepared in accordance with Section 4.03 of this Agreement;

(w) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association on April 26, 2002, and on behalf of the Borrower on May 8, 2002;

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

(y) "Project Implementation Manual" and "PIM" mean the "*Manuel de Procédures*" referred to in Section 6.01 (e) of this Agreement containing, *inter alia*, procedures to be used for the purpose of implementing the Project, including a Project implementation plan, eligibility criteria for the distribution of Grants and monitoring and performance indicators, as the same may be amended from time to time with the approval of the Association, and such term includes any schedules to said Project Implementation Manual;

(z) "PSC" means the Project Supervisory Committee, established pursuant to *Arrêté No. 159* of the Borrower, dated June 23 2003;

(aa) "PMU" means the project management unit and established pursuant to *Arrêté No. 161*, dated June 23, 2003; and

(bb) "Special Account" means the special deposit account opened for withdrawals by the Borrower in respect of expenditures made under the Project and referred to in Section 2.02 (b) of this Arrangement.

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 ten million nine hundred thousand Special Drawing Rights (SDR 10,900,000).

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 and services required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in FCFA a special deposit account (the Special Account) in the name of the MFE in commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) 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 canceled.

Section 2.03. The Closing Date shall be April 30, 2008, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on July 15, and January 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each July 15 and January 15, commencing July 15, 2014 and ending January 15, 2044. Each installment to and including the installment payable on January 15, 2024 shall be one

percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the European Union is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, technical and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the implementation program set forth in Schedule 4 to this Agreement;

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. Without limitation upon the provisions of paragraph (a) of Section 3.01 of this Agreement, the Borrower shall:

- (a) open and maintain an account (the Project Account) in a commercial bank on terms and conditions satisfactory to the Association;
- (b) promptly thereafter, deposit into the Project Account an amount equivalent to \$130,000 to finance the Borrower's contribution to the Project;
- (c) deposit into the Project Account, in quarterly installments, until Completion Date, such amounts as shall be required to timely replenish the Project Account back to the amount of the initial deposit referred to in paragraph (b) above; and
- (d) ensure that the funds deposited into the Project Account in accordance with paragraphs (a) and (b) of this Section shall be used exclusively to finance expenditures under the Project other than those financed from the proceeds of the Credit.

ARTICLE IV

Financial and Other Covenants

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

(b) The Borrower shall:

- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and 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 not 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 year 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 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 statements of expenditure submitted during such Fiscal Year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, and the Borrower's progress reporting obligations set out in paragraph 2 (b) of Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Association a Financial Monitoring Report, in form and substance satisfactory to the Association, which:

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

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

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional event is specified, namely that a situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out.

ARTICLE VI

Effective Date; Termination

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

The Borrower has:

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

(b) appointed the auditor referred to in Section 4.01 (b) of this Agreement, for the purposes of said Section, in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(c) established PMU in form and in accordance with terms of reference acceptable to the Association and appointed the project management team of PMU in accordance with the provisions of paragraph 4 (a) of Schedule 4 to this Agreement and of Section II of Schedule 3 to this Agreement;

(d) established a computerized accounting and financial management system in the PMU, acceptable to the Association; and

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

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower at the time responsible for financing 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:

Minister of Finance
Ministry of Finance and Economy
BP 389
Niamey
Republic of Niger

Facsimile:

(227) 73 59 34

For the Association:

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

Telex:

Facsimile:

6391

INDEVAS

248423 (MCI) or

(202) 477

Washington, D.C.

64145 (MCI)

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.

REPUBLIC OF NIGER

By /s/ Joseph Diatta

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Nils Tcheyan

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods and vehicles 70% expenditures	1,500,000	100% of foreign expenditures and of local
(2) Consultants' services and audits 80% expenditures	3,700,000	85% of foreign expenditures and of local
(3) Training	1,660,000	100%
(4) Operating costs	810,000	90%
(5) Severance payments expenditures	1,800,000	100% of incurred
(6) Refunding of pursuant Project Preparation of Advance	700,000	Amount due to Section 2.02 (b) this Agreement
(7) Unallocated	730,000	
TOTAL	10,900,000	

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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”;

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

(d) the term “severance payments” means payment made by the Borrower to Eligible Employees of CDN, Postal and CNSS, in accordance with procedures acceptable to the Association.

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, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 550,000 may be made on account of expenditures before that date but after the date of six months prior to the signing of this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure, for goods or services, as the case may be, except for items under contract for expenditures less than \$100,000 equivalent for goods, and less than \$100,000 equivalent for consulting firms and less than \$50,000 equivalent for individuals; all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to support the Borrower's global financial sector adjustment program through: (a) financing of severance payments to staff of certain financial entities; (b) strengthening the legal and regulatory environment conducive to financial activities; (c) restructuring of the banking sector; (d) strengthening consumer and small-and-medium-enterprise financing; (e) reorganization of micro-finance institutions and ONPE; (f) supporting social security; and (g) strengthening administrative and technical capacity in the Borrower's Ministry of Finance and in banking- and insurance institutions and associations.

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: Strengthening of the Legal Environment

1. Carrying out a study to assess the need for legal and regulatory reform in order to facilitate issuing of: (i) land titles on vacant urban and rural real estate amenable to being mortgaged; (ii) guarantees for lenders to housing projects in urban and rural areas and (iii) guarantees for commercial activities, all through the provision of technical advisory services.
2. Improving the urban and rural land registries (*cadastre foncier*) and carrying out a study to harmonize the material and procedural regulations pertaining to land-title and mining-title registration all through the provision of technical advisory services.
3. Carrying out a study to review required legislative and regulatory changes for the opening of the postal monopoly to private competition in the core postal and financial services through the provision of technical advisory services.
4. Provision of training in the administration of credit files and enforcement of financial obligations resulting from credit agreements, to selected judges, legal counsel in financing institutions, members of the legal professions, selected civil servants and private entrepreneurs, and the carrying out of IEC campaigns and workshops.
5. Carrying out a study on the feasibility to rehabilitate the *casier judiciaire* and supporting the recommendations of said study, through the provision of technical advisory services and training to selected judicial staff.

6. Reforming the *registre de commerce et du crédit mobilier* in conformity with the uniform laws of the *Organization pour l'Harmonisation du Droit des Affaires en Afrique* through the provision of technical advisory services to conform to the norms of the law, equipment and training.
7. Organizing a roundtable on justice and financial institutions, through the provision of technical advisory services.
8. Issuing the third edition of the *Recueil des lois et règlements du Niger* and connecting the Journal Official to the Internet via GLIN, through the provision of technical advisory services and training of *Journal Officiel* staff.
9. Carrying out a study to improve the legal and regulatory framework and economic incentives for the financing of SME through the provision of technical advisory services.

Part B: Restructuring of the Banking Sector

1. Establishment of a fiduciary fund to manage selected assets of CDN's portfolio, or restructuring and divestiture of the states' majority shareholding in CDN, as the case may be.

- (a) Provision of technical advisory services for the divestiture of CDN from state majority ownership.

2. Strengthening of Social Housing

Carrying out a study to prepare a comprehensive financing strategy for the provision of affordable housing to the poor in the territory of the Borrower through provision of technical advisory services, the carrying out of a donors' roundtable and implementation of selected recommendations of said study and round table.

3. Strengthening of CPCT

Strengthening administrative, financial and technical capacity of the management of CPCT through the provision of technical advisory services, training and the acquisition of equipment.

Part C: Strengthening Financial Intermediation of Proximity

1. Strengthening of the micro-finance unit in MEF

(a) Strengthening of the administrative, technical and financial supervision capacity of the micro-finance unit in MEF through the provision of technical advisory services, training and the acquisition of equipment and vehicles.

(b) Carrying out of financial and technical audits of selected micro-finance institutions through the provision of technical advisory services and the carrying out of pilot activities testing selected recommendations of said audits.

2. Strengthening capacity of the postal financial services

(a) Establishment of the Postal Bank as an independent branch of the Post, offering financial services to the public and born from the merger of CCP and CNE.

(b) Strengthening the administrative-, technical-, communications-, financial, and management capacity of the management of the Post Office and the Post Bank through the provision of technical advisory services, training and acquisition of equipment.

(c) Carrying out a study to: (i) assess the feasibility of universal access to Post Office and Post Bank services in the territory of the Borrower under a competitive regime and (ii) estimate the recurrent subsidy needed to maintain said access, through the provision of technical advisory services.

Part D: Social Security Reform

Support to the Restructuring of CNSS through the carrying out of an actuarial study and the implementation of selected recommendations of said study, through the provision of technical advisory services.

Part E: Retrenchment

Assisting CDN, the Post and CNSS to carry out plans for the retrenchment of their approximately 600 Eligible Employees due to their reorganization.

Part F: Strengthening capacity in MEF and Banking Associations

1. Institutional Strengthening

Strengthening administrative, financial, technical and supervisory capacity in MFE's ministerial cabinet, in DMCE including the microfinance cell and DA, through the provision of technical advisory services, training and the acquisition of equipment.

2. Capacity building within commercial banks and insurance companies

Provision of training to selected staff in commercial banks and insurance companies to strengthen their operational managerial and prudential capacities.

3. Strengthening Private Banking Associations

Strengthening the administrative, financial, technical and management capacity of the management of the professional bankers' associations in the territory of the Borrower, through the provision of technical advisory services and training.

Part G: Project Management, Evaluation and Supervision

Administration, coordination, monitoring, supervision and evaluation of Project implementation through the provision of technical assistance services and training programs for selected staff in PMU and the acquisition of equipment, including vehicles.

* * *

The Project is expected to be completed by November 30, 2007.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: General

Goods shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the provisions of the following Parts of this Section I.

Part B: International Competitive Bidding

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

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

1. Preference for domestically manufactured goods

The provisions of paragraph 2.54 and 2.55 of the guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

2. Grouping of contracts

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

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods such as office equipment, other than computers and telecommunications equipment, and vehicles, under contracts not to exceed in the aggregate \$100,000

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 \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$140,000 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.

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 shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for goods estimated to cost the equivalent of \$200,000 or more, 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, January 1999 and May 2002, (the Consultant Guidelines), and (b) the provisions of the following Parts of this Section II.

Part B: Quality- and Cost-based Selection

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

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services for: (a) research activities and activities requiring specialized expertise, estimated to cost less than \$100,000 equivalent per contract, and (b) training under Part B of the Project, estimated to cost more than \$100,000 equivalent per contract, all may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Least-cost Selection

Services 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.

3. Single Source Selection

Services for the provision of training which are estimated to cost less than \$10,000 equivalent per contract for individual consultants, and estimated to cost less than \$100,000 equivalent per contract for consultant firms, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

4. Individual Consultants

Services for individual consultants: (a) meeting the requirements set forth in paragraph 5.1 of the Consultant Guidelines, and (b) employed under contracts concluded with UGP, shall be procured under contracts awarded 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)) 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 less \$100,000 but more than \$50,000 equivalent, the procedures set forth in paragraphs 1, 2 (b) of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

(d) With respect to each contract for training, workshops, conference attendance and study tours, the Bank's non-objection to the annual activity- and procurement program shall be deemed approval of said activity. All out of country training will be subject to prior approval

3. Post Review

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

SCHEDULE 4

Implementation Program

Section I. General

1. The Borrower shall implement the Project in accordance with the procedures, guidelines, timetables and criteria set forth in the Project Implementation Manual, and, except as the Association shall otherwise agree, the Borrower shall not amend, or waive any provision of said Manual if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.

Section II. Coordination, Management and Supervision

2. The Borrower shall

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

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, quarterly until the completion of the Project, for the first time by March 1, 2004, or such other date as the Association shall agree, for its review and comments, a report integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (a) of this paragraph 2, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date. In particular the report shall detail: (i) the proposed procurement plan for the following twelve months, and (ii) achievements under Parts C 3. and D 2. of the Project;

(c) review with the Association, within four weeks following the submission of the report referred to in subparagraph (b) of this paragraph said report (Annual Review), 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 said report, the Association's views on the matter and in accordance with the PIM.

Section III. Midterm Review

3. The Borrower shall:

(a) By June 30, 2006, or such other date as the Association shall agree upon, carry out, jointly with the Association and CPP, a midterm review (Midterm Review). Such Midterm Review shall cover the progress achieved in the implementation of the Project under an agenda encompassing the agenda of the Annual Reviews, and, more specifically: (i) the achievements under Part A of the Project, and (ii) progress under Part B 1. of the Project.

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

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

Section IV. Covenants

4. The Borrower shall,

(a) appoint within PMU the following management team with qualifications and experience, satisfactory to the Association, with qualified support staff in sufficient numbers, and maintain said management team until the Completion Date in conformity with *Arreté No. 161* dated June 2, 2003: (i) the Project coordinator, (ii) an administrative and financial management specialist; and (iii) a procurement specialist. The PMU shall be responsible for the overall implementation, day-to-day operation and supervision of Project activities.

(b) maintain PSC in conformity with *Arreté No. 159* dated June 2, 2003 until the Completion Date. Said PSC shall be chaired by a representative of MFE, with representatives of the Borrower's social security reform committee, the Ministry of Justice, ONPE, commercial banks, insurance companies and the Project coordinator as members. The PSC will devise Project development directives and coordinate the carrying out of the Parts of the Project.

5. The Borrower shall initiate the carrying out of baseline studies required to measure Project performance in accordance with the Project performance indicators set forth in Schedule 6 of this Agreement within four months of the Effectiveness Date.

6. The Borrower shall, pursuant to the findings proposed at the Midterm Review and the decisions reached during said Review on behalf of the implementation of Part B 1. of the Project, initiate appropriate steps, in form and substance acceptable to the Association, to divest majority state ownership in CDN.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:
 - (a) the term “eligible Categories” means Categories (1) through (5) set forth in the table in Schedule 1 to this Agreement;
 - (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
 - (c) the term “Authorized Allocation” means an amount of FCFA 700,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount of FCFA 350,000,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 4,000,000 (four million Special Drawing Rights).
2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
 - (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts, which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.
 - (b)
 - (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

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

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

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures, as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 6

Implementation and Evaluation Indicators

1	The membership of microfinance institutions increases by 15 percent over the life of the project) compared to the base-line study referred to in paragraph 5 of Schedule 4 to this Agreement	November 2007
2.	Customer satisfaction with financial institutions has increased over the life of the project) compared to the base-line study referred to in paragraph 5 of Schedule 4 to this Agreement	November 2007
3.	Establishment of a regulatory framework to allow for the issuing of land titles on vacant land	June 2005
4.	Publication of a decree prohibiting delinquent borrowers from participating in calls for bids for privatization and public procurement	June 2004
5	Ten percent of the staff of commercial banks and insurance companies has benefited from training	June 2007
6.	The postal bank is operational	September 2004
7.	The actuarial audit of CNSS has been completed and draft legalization has been adopted by the Borrower's Council of Ministers to reequilibrate the benefits and the contributions	June 2005

