

CONFORMED COPY

CREDIT NUMBER 4189 NIR

Financing Agreement

(Rural and Social Policy Reform Credit)

between

REPUBLIC OF NIGER

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 27, 2006

CREDIT NUMBER 4189 NIR

FINANCING AGREEMENT

Agreement dated June 27, 2006, entered into between the REPUBLIC OF NIGER (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, *inter alia*, of (a) the actions which the Recipient has already taken under the Program and which are described in Section I A of Schedule 1 to this Agreement, and (b) the Recipient’s maintenance of an appropriate macro-economic policy framework. The Recipient and the Association therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to thirty-four million eight hundred thousand Special Drawing Rights (SDR 34,800,000) (the “Credit”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with Section II of Schedule 1 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are April 1st and October 1st in each year.

- 2.06. The principal amount of the Credit shall be repaid in accordance with repayment schedule set forth in Schedule 2 to this Agreement.
- 2.07. The Payment Currency is Euro.

ARTICLE III — PROGRAM

- 3.01 The Recipient declares its commitment to the Program and its implementation. To this end:
- (a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Section I of Schedule 1 to this Agreement;
 - (b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and
 - (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall exchange views with the Association on any proposed action to be taken after the disbursement of the Financing which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — EFFECTIVENESS

- 4.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is the Minister of the Recipient at the time responsible for finance.

5.02. The Recipient's Address is:

Minister of Economy and Finance
Ministry of Economy and Finance
B.P. 389
Niamey
Republic of Niger

Facsimile: (227) 73 59 34

5.03. The Association's Address is:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF NIGER

By /s/ Aminata Djibrilla Maija Touré

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Madani M. Tall

Authorized Representative

SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

A. Actions Taken Under the Program. The actions taken by the Recipient under the Program include the following:

- (i) The Recipient has prepared an overview on the execution of the 2005 cash management plan (quarterly allocation and execution), satisfactory to the Association, and a cash management plan for 2006 satisfactory to the Association.
- (ii) The Recipient has taken into account in the quarterly budget regulation the priority expenditures to be secured for the education, health and rural sectors (including their seasonality).
- (iii) The Recipient has released to the food crisis unit (*Cellule de crise alimentaire*) all the funds programmed in the 2006 budget (amounting to five billions CFA Francs) to meet the urgent needs to purchase food for distribution during the upcoming pre-harvest period.
- (iv) The Recipient has adopted by *arrêté* from its Minister of Agricultural Development (published in the Official Gazette) the gradual installation of Regional Land Administration Offices (*Secrétariats Permanents Régionaux du Code Rural*) whose mandate includes the elaboration of regional land management schemes.
- (v) The Recipient has taken measures satisfactory to the Association to ensure regular payment of contractual teachers' salaries through the following actions: (i) applying norms on steps and timeframes in processing the payment of the contractual teachers' salaries; (ii) sending an appropriate circular letter (*lettre circulaire*) to the regional treasuries.
- (vi) The Recipient has adopted by decree and *arrêté* (published in the Official Gazette) the full subsidization of the following products and services: contraceptives, pre-natal consultation, caesarians, and health care for children under five.
- (vii) The Recipient has established by *arrêté* from its Minister of Economy and Finance a Steering Committee for monitoring the implementation of the reforms included in the Program, with composition and terms of reference satisfactory to the Association.

B. Actions to be Taken Under the Program. The actions to be taken by the Recipient under the Program, include the actions listed in (i) through (ix) below.

- (i) The Recipient shall submit to the Association a report, satisfactory to the Association, with concrete recommendations to improve the structure and the functioning of its Ministry of Economy and Finances.

- (ii) The Recipient shall adopt by *arrêté* from its Minister of Economy and Finances (published in the Official Gazette) the status of the personnel of the Recipient's National Statistic Institute.
- (iii) The Recipient shall adopt by *arrêté* from its relevant Ministers (published in the Official Gazette) the revised action plans for the programs of its Rural Development Strategy (2003) (taking into account the integration of the Program for Food Security through Irrigation Development);
- (iv) The Recipient shall prepare a rural sector Medium-term Expenditure Framework (including the Recipient's Ministry of Agricultural Development (*Ministère du Développement Agricole*), Ministry for Livestock (*Ministère des Ressources Animales*), Ministry for Community Development (*Ministère de l'Aménagement Territorial et du Développement Communautaire*), and Ministry for Water, Environment and Fight against Desertification (*Ministère de l'Hydraulique, de l'Environnement et de la Lutte contre la Désertification*)), satisfactory to the Association, to be taken into account in the preparation of the Budget Law (*Loi de Finances*) for 2007, and in the revised Poverty Reduction Strategy Paper.
- (v) The Recipient shall adopt the *arrêtés* from its relevant Ministers (published in the Official Gazette) to ensure that Teachers National Schools (*Ecoles Normales d'Instituteurs*) are fully operational with their new status.
- (vi) The Recipient shall adopt an action plan to improve the management of its contractual teachers and their allocation and shall begin its implementation, through, *inter alia*: (i) passing the *arrêté* (published in the Official Gazette) involving the Committees for the School Management (*Comités de Gestion des Etablissements Scolaires*) in the management of contractual teachers; (ii) adopting by *arrêté* (published in the Official Gazette) the norms in terms of the number of administrative departments and staffing for the decentralized structures (*Directions Régionales et Inspections de l'Enseignement de Base et de l'Alphabétisation, Secteurs Pédagogiques*); and (iii) signing the administrative note allocating geographically the newly recruited contractual teachers, taking into account the twenty-five departments currently overstuffed.
- (vii) The Recipient shall prepare and implement, in a manner satisfactory to the Association, on an experimental basis, an information and communication program on the allocation of goods and their provision at the school level, in the regions of Maradi and Tillabéri.
- (viii) The Recipient shall pass the ministerial *arrêté* (published in the Official Gazette) for the launching of a regional recruitment process for qualified staff (national total of 715 contractual agents and civil servants) to address the human resource deficit in the public health sector in accordance with the Recipient's strategic objectives.
- (ix) The Recipient shall take measures satisfactory to the Association to include in the Budget Law (*Loi de Finances*) for 2007, the cost of the health goods and services fully subsidized in accordance with the regulations referred to in Part A (vi) of this Section.

Section II. Availability of Financing Proceeds

- A. General.** The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.
- B. Allocation of Financing Amounts.** The Financing shall be withdrawn in two tranches. The allocation of the amounts of the Financing to this end is set out in the table below:

Allocations	Amount of the Financing Allocated (expressed in SDR)
First Tranche	17,400,000
Second Tranche	17,400,000
TOTAL AMOUNT	34,800,000

- C. Tranche Release Conditions.** No withdrawal shall be made of the Second Tranche, unless the Association is satisfied, after an exchange of views as described in Sections 3.01 (a) and (b) of this Agreement based on evidence satisfactory to the Association:
1. with the progress achieved by the Recipient in carrying out the Program;
 2. that the macroeconomic policy framework of the Recipient is appropriate; and
 3. that, the actions described in Part B of Section I of this Schedule have been taken.

If, after this exchange of views, the Association is not so satisfied, it may give notice to the Recipient to that effect and, if within 90 days after the notice, the Recipient has not taken steps satisfactory to the Association with respect to paragraphs 1, 2 and 3 above, then the Association may, by notice to the Recipient, cancel all or any part of the Unwithdrawn Financing Balance.

- D. Deposits of Financing Amounts.** Except as the Association may otherwise agree:
1. all withdrawals from the Financing Account shall be deposited by the Association into an account designated by the Recipient and acceptable to the Association; and
 2. the Recipient shall ensure that upon each deposit of an amount of the Financing into this account, an equivalent amount is accounted for in the Recipient's budget management system, in a manner acceptable to the Association.

F. Excluded Expenditures. The Recipient undertakes that the proceeds of the Financing shall not be used to finance Excluded Expenditures. If the Association determines at any time that an amount of the Financing was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the Association, refund an amount equal to the amount of such payment to the Association. Amounts refunded to the Association upon such request shall be cancelled.

G. Closing Date. The Closing Date is June 30, 2007.

SCHEDULE 2

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each April 1 st and October 1 st :	
commencing October 1 st , 2016 to and including April 1 st , 2026	1%
commencing October 1 st , 2026 to and including April 1 st , 2046	2%

*The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

APPENDIX

Section I. Definitions

1. “Excluded Expenditure” means any expenditure:
- (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Association or the Bank has financed or agreed to finance, or which the Association or the Bank has financed or agreed to finance under another Financing, credit, grant or loan;
 - (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev. 3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev. n3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Recipient:

<u>Group</u>	<u>Sub-group</u>	<u>Description of Item</u>
112		Alcoholic beverages
121		Tobacco, un-manufactured, tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitutes)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths’ or silversmiths’ wares (including set gems)

<u>Group</u>	<u>Sub –group</u>	<u>Description of Item</u>
971		Gold, non-monetary (excluding gold ores and concentrates)
	(c)	for goods intended for a military or paramilitary purpose or for luxury consumption;
	(d)	for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party;
	(e)	on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
	(f)	under a contract with respect to which the Association determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Financing proceeds during the procurement or execution of such contract, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the Association to remedy the situation.
2.		“General Conditions” means the “International Development Association General Conditions for Financings”, dated July 1, 2005 with the modifications set forth in Section II of this Appendix.
3.		“Program” means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty, in particular through reforms in the public sector management, growth and agricultural development, and human development (including demographic growth and gender issues), and set forth or referred to in the letter dated May 2006 from the Recipient to the Association declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution.
4.		“Second Tranche” means the amount of the Financing allocated to the category entitled “Second Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

Section II. Modifications to the General Conditions

The modifications to the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.

2. Sections 2.04 (*Designated Accounts*) and 2.05 (*Eligible Expenditures*) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.
3. Sections 4.01 (*Project Execution Generally*), and 4.09 (*Financial Management; Financial Statements; Audits*) are deleted in their entirety, and the remaining Sections in Article IV are renumbered accordingly.
4. Paragraph (a) of Section 4.05 (renumbered as such pursuant to paragraph 3 above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.
5. Paragraph (c) of Section 4.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

“Section 4.06. *Plans; Documents; Records*

... (c) The Recipient shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Financing until two years after the Closing Date. The Recipient shall enable the Association’s representatives to examine such records.”

6. Section 4.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

Section 4.07. *Program Monitoring and Evaluation*

... (c) The Recipient shall prepare, or cause to be prepared, and furnish to the Association not later than six months after the Closing Date, a report of such scope and in such detail as the Association shall reasonably request, on the execution of the Program, the performance by the Recipient and the Association of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Financing.

7. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

- (a) The definition of the term “Eligible Expenditure” is modified to read as follows:

“‘Eligible Expenditure’ means any use to which the Financing is put in support of the Program, other than to finance expenditures excluded pursuant to the Financing Agreement.”

- (b) The term “Financial Statements” and its definition as set forth in the Appendix are deleted in their entirety.

- (c) The term “Project” is modified to read “Program” and its definition is modified to read as follows:

“‘Program’ means the program referred to in the Financing Agreement in support of which the Financing is made.” All references to “Project” throughout these General Conditions are deemed to be references to “Program”.