

CONFORMED COPY

GRANT NUMBER H308-NIR

Financing Agreement

(Second Rural and Social Reform Operation)

between

REPUBLIC OF NIGER

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 29, 2007

FINANCING AGREEMENT

AGREEMENT dated June 29, 2007, 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 this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to thirty three million one hundred thousand Special Drawing Rights (SDR 33,100,000) (“Financing”).
- 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 Payment Dates are June 1st and December 1st in each year.
- 2.05. The Payment Currency is the 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 — REMEDIES OF THE ASSOCIATION

- 4.01. A situation having arisen which shall make it improbable that the Program, or a significant part of it, will be carried out is an Additional Event of Suspension.

ARTICLE V — EFFECTIVENESS; TERMINATION

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

ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

6.02. The Recipient's Address is:

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

Facsimile:

(227) 20 73 59 34

6.03. 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 at Niamey, Niger, as of the day and year first above written.

REPUBLIC OF NIGER

By /s/ Ali M. Lamine Zeine

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Ousmane Diagana

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:

Public Sector Management

Management of Public Expenditures:

- (i) The Recipient has updated and officially adopted a coding for pro-poor expenditures, in agreement with its technical and financial partners, and based on a revised unified list;
- (ii) The Recipient has begun the implementation of the action plan for the modernization of the Treasury, including through the adoption of a new organization chart;

Procurement:

- (iii) The Recipient has made its national agency for the regulation of public markets (*Agence de Régulation des Marchés Publics*) operational through the adoption of regulatory texts for : (A) the appointment of the Director of Information and Monitoring and Evaluation, Director of Legal Affairs and Director of Technical Support; (B) the designation of the members of the National Regulatory Board (*Conseil National de Régulation*); and (C) the establishment of the Dispute Resolution Committee (*Comité de Règlement des Différends*);

Agriculture and Rural Development

- (iv) The Recipient has designated the entities responsible (supervision and implementation – *maîtrise d'ouvrage et maîtrise d'œuvre*) for the execution of the various programs of the action plan of the Recipient's Rural Development Strategy;

Social Sectors

Basic Education:

- (v) The Recipient has submitted to the Association a progress report with recommendations on the implementation of the action plan for the management and allocation of teachers (including tangible results on contractual teachers' management, complete contractual teachers census, and effective involvement of the *Comités de Gestion des Etablissements Scolaires* in the payment of the contractual teachers' salaries); and

Health:

- (vi) The Recipient has revised the internal budget distribution of the Recipient's ministry in charge of health to increase the share allocated to basic health services in the regions and districts (*départements*).

- B. Actions to be Taken Under the Program.** The actions to be taken by the Recipient under the Program include the following:

Public Sector Management

Management of Public Expenditures:

- (i) The Recipient shall appoint, by Presidential decree approved by the Council of Ministers and duly published in the Official Gazette, the following persons in charge of the new structures created at the Treasury: (A) the General Director (*Directeur Général*), (B) the General Accountant (*Agent Comptable Central du Trésor*), (C) the General Payer (*Payeur Général du Trésor*), and (D) the General Collector (*Receveur Général du Trésor*);
- (ii) The Recipient shall: (A) adopt guidelines and audit techniques to be applied by its Chamber of Account (*Chambre des Comptes*), satisfactory to the Association, by decision (*Note de Service*) of the President of the Chamber of Accounts of the Recipient; and (B) begin to implement them;

Procurement:

- (iii) The Recipient shall: (A) adopt by Presidential decree approved by the Council of Ministers and duly published in the Official Gazette the regulatory texts for the organization and operation of the Recipient's Direction of Control of Public Procurement (*Direction Générale du Contrôle des Marchés Publics*), in form and substance satisfactory to the Association; and (B) appoint the two central directors (Director of Information and Director of Statistics) for said Direction by

Presidential decree approved by the Council of Ministers and duly published in the Official Gazette, so that said Direction becomes effectively operational;

National Statistical Data and Information System:

- (iv) The Recipient shall adopt by Presidential decree approved by the Council of Ministers and duly published in the Official Gazette a multi-annual plan for the development of statistics (2008-2012), in form and substance satisfactory to the Association;

Agriculture Sector and Rural Development

- (v) The Recipient shall: (A) adopt the revised National Emergency Plan for the management of food crises by Presidential decree approved by the Council of Ministers and duly published in the Official Gazette; and (B) begin its implementation;
- (vi) The Recipient shall: (A) adopt, by *arrêté* from the Recipient's relevant Minister duly published in the Official Gazette, an action plan, in form and substance satisfactory to the Association, for the improvement of irrigation on the perimeters of ONAHA (*Office National des Aménagements Hydro-Agricoles*), and (B) shall begin its implementation on the basis of the recommendations of the report on the assessment of the improvement of irrigation on the perimeters of ONAHA currently being carried out at the request of the Recipient's Ministry in charge of agricultural development;

Social Sectors

Basic Education:

- (vii) The Recipient shall finalize and adopt by Presidential decree approved by the Council of Ministers and duly published in the Official Gazette a strategic framework for the expansion and the sustainable development of post primary education, in form and substance satisfactory to the Association;
- (viii) The Recipient shall: (A) implement effectively, in a manner satisfactory to the Association, the program of transfer of resources and grants in favor of selected schools; and (B) provide to the Association the evidence of the payment of the corresponding funds to the schools, and the report of a field visit, in form and substance satisfactory to the Association;

Health:

- (ix) The Recipient shall start the preparation of a national health map, through the completion of the following tasks, each in form and substance satisfactory to the

Association: (i) a map of hospitals and health centers by district (*départements*) and region, (ii) an organization chart of the Recipient's ministry in charge of health, and (iii) a computerized human resource management system;

- (x) Based on the results of the study on usage of health services costs, the Recipient, taking into account budgetary constraints, shall include in the draft Budget law for 2008 the costs of services and products fully subsidized (contraceptives, delivery by Caesarean section, pre-natal consultations, health care for children under five), in an amount satisfactory to the Association; and

Population Growth:

- (xi) The Recipient shall organize and hold a national forum to build consensus on demographic growth, gender issues and African Charter on women's rights, in form and substance satisfactory to the Association.

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	16,550,000
Second Tranche	16,550,000
TOTAL AMOUNT	33,100,000

- 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 ninety (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.

E. 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.

F. Closing Date. The Closing Date is June 30, 2008.

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 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.3 (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:

Group	Sub-group	Description of Item
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)
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) 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, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the Association to address such practices when they occur.
2. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 1, 2005 (as amended through October 15, 2006) 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 and set forth or referred to in the letter dated May 10, 2007 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 (as amended through October 15, 2006) 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”.