

Public Disclosure Authorized

OFFICIAL DOCUMENTS

CREDIT NUMBER 61660-BF
GRANT NUMBER D2580-BF

Financing Agreement

(Second Energy and Fiscal Management Development Policy Financing)

between

BURKINA FASO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

**CREDIT NUMBER 61660-BF
GRANT NUMBER D2580-BF**

FINANCING AGREEMENT

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

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient a grant and a credit, both deemed by the Association to be on concessional terms, as set forth or referred to in this Agreement (collectively, "Financing") in the following amounts:
 - (a) an amount equivalent to seventeen million eight hundred thousand Special Drawing Rights (SDR 17,800,000 equivalent) ("Grant"); and
 - (b) the amount of forty-three million Euros (EUR 43,000,000) ("Credit").
- 2.02. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.03. The Service Charge is the greater of: (a) the sum of three-fourths of one percent (3/4 of 1%) per annum plus the Basis Adjustment to the Service Charge; and (b) three-fourths of one percent (3/4 of 1%) per annum; on the Withdrawn Credit Balance.
- 2.04. The Payment Dates are April 15 and October 15 in each year.
- 2.05. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 2 to this Agreement.

- 2.06. The Payment Currency is Euro.
- 2.07. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Recipient shall promptly furnish to the Association such information relating to the provisions of this Article II as the Association may, from time to time, reasonably request.

ARTICLE III — PROGRAM

- 3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:
- (a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient's macroeconomic policy framework and the progress achieved in carrying out the Program.
 - (b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and
 - (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule I to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

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

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following, namely that: The Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient's macroeconomic policy framework.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

- 5.03. For purposes of Section 10.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

Ministry of Economy, Finance and Development
Ministère de l'économie, des finances et du développement
03 BP 7050
Ouagadougou 03
Burkina Faso; and

(b) the Recipient's Electronic Address is:

Telex:	Facsimile:
5555	226-25-31-27-15

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

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

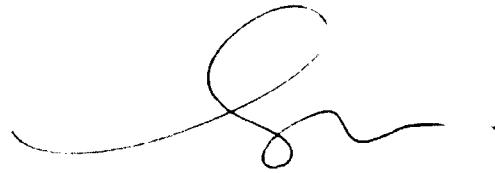
(b) the Association's Electronic Address is:

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

AGREED as of the Signature Date.

BURKINA FASO

By



Authorized Representative

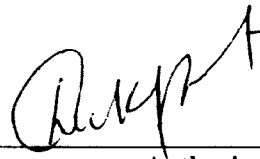
Name: Hadizatou Resine Coulibaly/Sori

Title: Minister of Economy, Finance
and Development

Date: December 18, 2017

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Cheick F. Kante

Title: Country Manager for
Burkina Faso

Date: December 18, 2017

SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

- A. Actions Taken Under the Program. The actions taken by the Recipient under the Program include the following:
1. To reduce inter-agency arrears and promote transparency and predictability in the energy sector, the Recipient has: (a) cleared its arrears as accrued until October 10, 2017 to SONABEL for electricity bills and compensation subsidies and to SONABHY for fuel subsidies; and (b) allocated adequate funds in the draft 2018 Budget Law, approved by the Recipient's Council of Ministers to cover the projected maximum of fuel subsidies paid to SONABHY for fuel delivered to SONABEL's plants.
 2. To improve its financial performance, SONABEL has optimized its fuel costs throughout 2016 by: (a) implementing Article 14 of the Performance Contract regarding fuel mix ratios aimed at decreasing dependence on higher cost energy sources; and (b) implementing the recommendations of the 2015 Audit Report regarding specific fuel consumptions.
 3. To improve billing and collection processes, SONABEL has deployed the information and monitoring system for the smart meters pursuant to the Revenue Protection Program.
 4. To improve governance and planning, the Recipient's Council of Ministers has: (a) approved the National Investment Plan, to shift the energy mix towards cleaner and affordable sources and extend access to reliable electricity services; and (b) established the Permanent Secretariat for the National Commission for Energy Sector Planning at the Ministry of Energy pursuant to Decree N.2017-0350/PRES/PM/ME.
 5. To foster competition in the electricity sector, the Recipient has created, by law N.014-2017/AN, a competitive wholesale electricity market framework, providing direct access between generation companies and large consumers and third party-access to the network.
 6. To cost-effectively procure electricity, the Recipient's Council of Ministers has established a structured and standardized competitive process to select Independent Power Producers pursuant to chapter IV of Decree N.2017-1012 /PRES/PM/ME/MICA/MINEFID.

7. To combat fraud and improve revenue collection, the Recipient's Ministry of Economy, Finance and Development has introduced standardized VAT invoicing for the majority of firms under the Standard Tax Regime, as set out in its Directive 00044 dated February 15, 2017.
8. To increase tax revenue collection, the Recipient's Council of Ministers has approved the draft General Tax Code and submitted it to the National Assembly for enactment.
9. The Recipient has proceeded with the implementation of the Procurement Code by adopting: (a) a decree defining procurement procedures; (b) ministerial orders to clarify obligations regarding annual procurement plans, public procurement deadlines and archiving; and (c) a decree setting the mandate, organization and functioning of the Public Procurement Regulatory Authority.

Section II. Availability of Financing Proceeds

- A. **General.** The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.
- B. **Allocation of Financing Amounts.** The Financing is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing proceeds. The allocation of the amounts of the Financing to this end is set out in the table below:

Allocations	Amount of the Credit Allocated (expressed in EUR)	Amount of the Grant Allocated (expressed in SDR)
(1) Single Withdrawal Tranche	43,000,000	17,800,000
TOTAL AMOUNT	43,000,000	17,800,000

- C. **Withdrawal Tranche Release Conditions.**
 1. No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied: (a) with the Program being carried out by the Recipient; and (b) with the adequacy of the Recipient's macroeconomic policy framework.
- D. **Closing Date.** The Closing Date is June 30, 2019.

SCHEDULE 2

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each April 15 and October 15 commencing April 15, 2024 to and including October 15, 2055.	1.5625%

* 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 3.05 (b) of the General Conditions.

APPENDIX

Section I. Definitions

1. "2015 Audit Report" means SONABEL's 02-DACG-2015 audit report (*Rapport sur l'approvisionnement en produits pétroliers du Burkina Faso et sur l'approvisionnement de la SONABEL*) dated July 2016.
2. "2018 Budget Law" means the Recipient's budget law (*portant loi de finances pour l'exécution du budget de l'Etat, exercice 2018*), which provides for the state's budgetary allocations and expenditures for the fiscal year of 2018, as submitted to the National Assembly for approval on September 27, 2017.
3. "Basis Adjustment to the Service Charge" means the Association's standard basis adjustment to the Service Charge for credits in the currency of denomination of the Credit, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit is approved by the Executive Directors of the Association, and expressed either as a positive or negative percentage per annum.
4. "General Conditions" means the "International Development Association General Conditions for IDA Financing, Development Policy Financing", dated July 14, 2017.
5. "General Tax Code" means the Recipients general tax code (*portant code général des impôts du Burkina-Faso*), submitted to the National Assembly for approval on October 3, 2017.
6. "Independent Power Producers" means legal entities (*producteur indépendant d'électricité*) as described within the Law N.014-2017/AN (*Loi portant réglementation générale du secteur de l'énergie*), dated April 20, 2017.
7. "Ministry of Economy, Finance and Development" means the Recipient's ministry responsible for finance or any successor thereto.
8. "National Assembly" means the Recipient's legislative arm, responsible for the enactment of laws in the Recipient's territory, following the Constitution and its internal procedures.
9. "National Investment Plan" means the National Investment Plan for Generation, Transmission, Distribution and Rural Electrification for 2017-2020 (*Plan directeur national production-transport-distribution et d'électrification rurale 2017-2020*) issued on September 2017 further to *Compte Rendu MC-RP N350-2017*, dated October 4, 2017.

10. "Permanent Secretariat for the National Commission for Energy Sector Planning at the Ministry of Energy" (*Secrétaire permanent de la planification du secteur de l'énergie*) means the permanent secretary position established pursuant to *Decree N.2017-0350/PRES/PM/ME portant organisation du Ministère de l'énergie*, dated May 17, 2007.
11. "Public Procurement Regulatory Authority" means the Recipient's public procurement regulatory authority (*l'Autorité de régulation de la commande public*), with attributions pursuant to *Decree No 2017_00050_/PRES/PM/MIONEFID portant attributions, organisation et fonctionnement de l'Autorité de régulation de la commande publique*, dated February 1, 2017.
12. "Procurement Code" means the Recipient's procurement code as adopted pursuant to *Law No. 039-2016/AN (portant réglementation générale de la commande publique)*, dated December 2, 2016.
13. "Program" means: the program of objectives, policies, and actions set forth or referred to in the letter dated November 3, 2017 from the Recipient to the Association declaring the Recipient's commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program's objectives.
14. "Revenue Protection Program" means the Program to improve SONABEL revenue and approved by its Board of Directors through the resolution *No. 001/MEMC/SG/SONABEL/CA* dated Sept 13, 2016.
15. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to "the date of the Financing Agreement" in the General Conditions.
16. "Single Withdrawal Tranche" means the amount of the Financing allocated to the category entitled "Single Withdrawal Tranche" in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
17. "SONABEL" means the Recipient's state-owned electricity provider (*Société Nationale d'Electricité du Burkina*), governed by its articles of incorporation (*Statuts*) approved by *Decree N° 2004-517/PRES/PM/MCE* dated November 19, 2004 or any successor thereto.
18. "SONABHY" means the Recipient's public oil importing company (*Société Nationale Burkinabè d'Hydrocarbures*).

19. "Standard Tax Regime" means the Recipient's *Régime du Réel Normal d'Imposition*.
20. "VAT" means value-added tax (*taxe sur la valeur ajoutée (TVA)*).