

CONFOREMD COPY

**CREDIT NUMBER 4053 BUR
GRANT NUMBER H158 BUR**

Development Financing Agreement

(Fifth Poverty Reduction Support Financing)

between

BURKINA FASO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 18, 2005

**CREDIT NUMBER 4053 BUR
GRANT NUMBER H158 BUR**

DEVELOPMENT FINANCING AGREEMENT

AGREEMENT, dated May 18, 2005, between BURKINA FASO (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received from the Borrower a letter dated April 1, 2005 (the Letter of Development Policy), describing a program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty (hereinafter called the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during the execution thereof;

(B) the Borrower has carried out the measures and taken the actions described in Schedule 2 of this Agreement to the satisfaction of the Association and has maintained a macroeconomic policy framework satisfactory to the Association;

(C) the Borrower and the Association intend, to the extent practicable, that the proceeds of the Grant be disbursed on account of expenditures in support of the Program before disbursements of the proceeds of the Credit are made; and

(D) on the basis, *inter alia*, of the foregoing, the Association has decided in support of the Program to provide such assistance to the Borrower by making the financing (the Financing), in one tranche, as hereinafter provided.

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 May 1, 2004), with the modifications set forth in Schedule 3 to this Agreement (the General Conditions), constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) "BCEAO" means *Banque Centrale des Etats de l'Afrique de l'Ouest*;

(b) “DCCF” means *Direction Centrale du Contrôle Financier*, the unit in charge of *ex ante* budget control in the Borrower’s Ministry of Finances and Budget;

(c) “DGB” means *Direction Générale du Budget*, the unit in charge of budget management in the Borrower’s Ministry of Finances and Budget;

(d) “DGCOOP” means *Direction Générale de la Coopération*, the unit in charge of international cooperation in the Borrower’s Ministry of Finances and Budget;

(e) “DGEP” means *Direction Générale de l’Economie et de la Planification*, the unit in charge of the economy and planning in the Borrower’s Ministry of Economy and Development; and

(f) “DGTCP” means *Direction Générale du Trésor et de la Comptabilité Publique*, the unit in charge of treasury and public accounting in the Borrower’s Ministry of Finances and Budget.

ARTICLE II

The Financing

Section 2.01. The Association agrees to make available to the Borrower, on the terms and conditions set forth or referred to in the Development Financing Agreement, the Financing consisting of:

(a) an amount in various currencies equivalent to thirty million six hundred thousand Special Drawing Rights (SDR 30,600,000) (the Credit); and

(b) an amount in various currencies equivalent to nine million three hundred thousand Special Drawing Rights (SDR 9,300,000) (the Grant).

Section 2.02. (a) Subject to the provisions of paragraphs (b) and (c) of this Section, the Borrower shall be entitled to withdraw the proceeds of the Financing from the Financing Accounts in support of the Program.

(b) Except as the Association may otherwise agree: (i) all withdrawals from the Financing Accounts shall be deposited by the Association into an account in Euros designated by the Borrower and acceptable to the Association; and (ii) the Borrower shall ensure that upon each deposit of an amount of the Financing into said account, an equivalent amount is accounted for in the Borrower’s budget management system, in a manner acceptable to the Association.

(c) The Borrower undertakes that the proceeds of the Financing shall not be used to finance expenditures excluded pursuant to the provisions of Schedule 1 to this Agreement. If the Association determines at any time that an amount of the Financing was used to make a payment for an expenditure so excluded, the Borrower shall,

promptly upon notice from the Association, refund an amount equal to the amount of said payment to the Association. Amounts refunded to the Association upon such request shall be cancelled.

Section 2.03. The Closing Date shall be June 30, 2006 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Financing 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; and

(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 Financing Accounts or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on April 15 and October 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 April 15 and October 15 commencing on October 15, 2015 and ending April 15, 2045. Each installment to and including the installment payable on April 15, 2025 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 the Association 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 Euro is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Particular Covenants

Section 3.01. (a) The Borrower 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.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request.

(c) Without limitation upon the provisions of paragraph (a) of this Section, the Borrower 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 Schedule 2 to this Agreement.

Section 3.02. Without limitation upon the provisions of Section 9.01 (a) of the General Conditions, the Borrower shall promptly furnish to the Association such information relating to the provisions of Article II of this Agreement as the Association may, from time to time, reasonably request.

ARTICLE IV

Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

ARTICLE V

Effective Date; Termination

Section 5.01. The date one hundred and twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of the Borrower in charge of finances is designated as the representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministère des Finances et du Budget
03 BP 7008
Ouagadougou 03
Burkina Faso

Cable address:	Telex:	Facsimile:
SEGEGOUV	5555	(226) 50-31-27-15

For the Association:

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)	(202) 477-6391

SCHEDULE 1

Excluded Expenditures

For purposes of Section 2.02 (c) of this Agreement, the proceeds of the Financing shall not be used to finance any of the following expenditures:

1. expenditures for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association shall have financed or agreed to finance, or which the Association or the Bank shall have financed or agreed to finance under another credit, loan, or grant;
2. expenditures for goods included in the following groups or subgroups 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 Borrower:

<u>Group</u>	<u>Subgroup</u>	<u>Description of Items</u>
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured, tobacco refuse
122 manufactured	-	Tobacco, (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),

<u>Group</u>	<u>Subgroup</u>	<u>Description of Items</u>
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)

3. expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;
4. expenditures for environmentally hazardous goods (for purposes of this paragraph the term "environmentally hazardous goods" means goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party, and any other goods designated as environmentally hazardous by agreement between the Borrower and the Association);
5. expenditures on account of any payment to persons or entities, or any import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
6. expenditures under a contract in respect of which the Association determines that corrupt, fraudulent, collusive, or coercive practices were engaged in by representatives of the Borrower or of a beneficiary of the Financing during the procurement or execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Association to remedy the situation.

SCHEDULE 2

Actions Referred to in Recital (B) of the Preamble to this Agreement

The Borrower has:

- (1) Transferred the assets of Société des Fibres et Textiles du Burkina (SOFITEX) in the Central and Eastern zones to new operators and the new operators have begun their activities, as described in Section 6 of the Letter of Development Policy;
- (2) Adopted a decree through the Council of Ministers regarding the amendment of the legal and regulatory framework of the electricity sector, in line with the electricity sector strategy, including a draft new law to be presented to the Parliament, as described in Section 8 of the Letter of Development Policy;
- (3) Developed a sector Medium Term Expenditure Framework in line with the objectives of the National Health Development Program and the Millennium Development Goals, as described in Section 14 of the Letter of Development Policy;
- (4) Developed a system of subsidies for obstetrical emergencies, as described in Section 15 of the Letter of Development Policy;
- (5) Adopted a draft budget for 2005 on the basis of sector ceilings of the 2005-07 Medium Term Expenditure Framework, and in line with the priorities of the Poverty Reduction Strategy Paper, as described in Section 22 of the Letter of Development Policy;
- (6) Provided to the Association evidence in form and substance satisfactory to the Association that a database of the externally financed projects has been created and that the Borrower has verified the table of credit and grant agreements entered into by the Borrower as borrower or beneficiary of the funds (as the case may be) , as described in Section 22 of the Letter of Development Policy;
- (7) Adopted a decree for the regulation of concession and leasing contracts to ensure best international practice in this area, as described in Section 25 of the Letter of Development Policy;

- (8) Provided to the Association evidence in form and substance deemed satisfactory to the Association that the Borrower has begun the physical verification of the government property, as described in Section 24 of the Letter of Development Policy; and
- (9) Finalized the software for the integrated accounting system for local communities (*Comptabilité Intégrée des Collectivités Locales*, CICL), as described in Section 24 of the Letter of Development Policy.

SCHEDULE 3

Modifications to the General Conditions

For the purpose of this Agreement, the provisions of the General Conditions are modified as follows:

1. Section 1.01 is amended to read:

“These General Conditions set forth certain terms and conditions generally applicable to development financing granted by the Association to its members in the form of development credit and development grant. They apply to any development financing agreement providing for any such development finance to the extent and subject to any modifications set forth in such agreement.”

2. Paragraph 8 of Section 2.01 is amended to read as follows:

“8. “Development Financing Agreement” means the particular Development Financing Agreement to which these General Conditions apply, as such agreement may be amended from time to time. Development Financing Agreement includes these General Conditions as applied thereto, and all schedules and agreements supplemental to the Development Financing Agreement.”

3. Paragraph 12 of Section 2.01 is modified to read:

“12. “Project” means the Program, referred to in the Preamble to the Development Financing Agreement, in support of which the Financing is made.”

4. The following new paragraphs are added to Section 2.01:

“15. “Grant” means the development grant provided for in the Development Financing Agreement;”

“16. “Grant Account” means the account opened by the Association on its books in the name of the Borrower to which the amount of the Grant is credited;”

“17. “Financing” means, collectively, the Credit and the Grant;” and

“18. “Financing Accounts” means, collectively, the Credit Account and the Grant Account (and “Financing Account” means, individually, the Credit Account or the Grant Account, as the context may require).”

5. The term “Credit”, wherever used in the following Articles and Sections of the General Conditions, is amended to read “Financing”: Sections 2.01(3), Article V, Article VI (excluding Section 6.05), Section 7.01(d), Article VIII, and Article IX.

6. The term “Credit Account”, wherever used in the following Articles and Sections of the General Conditions, is amended to read “Financing Accounts”: Section 2.01(6), 4.01, Article V, Article VI, and Section 12.03.

7. The term “Development Credit Agreement”, wherever used in the General Conditions, is amended to read the Development Financing Agreement.

8. Section 3.01 is modified to read as follows:

“Section 3.01. Financing Accounts. The amount of the Credit shall be credited to the Credit Account and may be withdrawn from the Credit Account by the Borrower as provided in the Development Financing Agreement and in these General Conditions. The amount of the Grant shall be credited to the Grant Account and may be withdrawn from the Grant Account by the Borrower as provided in the Development Financing Agreement and in these General Conditions.”

9. Section 4.01 is modified to read:

“Except as the Borrower and the Association shall otherwise agree, withdrawals from the Financing Accounts shall be made in the currency of the account specified in Section 2.02 (b) of the Development Financing Agreement; provided, however, that withdrawals in the currency of the Borrower shall be made in such currency or currencies as the Association shall from time to time reasonably select.”

10. Section 5.01 is modified to read:

“The Borrower shall be entitled to withdraw the proceeds of the Financing from the Financing Accounts in accordance with the provisions of the Development Financing Agreement and of these General Conditions.”

11. The last sentence of Section 5.03 is deleted.

12. The phrase “(including any development financing agreement or development grant agreement)” is added to Section 6.02 (a) (ii) after the words “any development credit agreement” and before the words “between the Borrower and the Association”; to Section 6.02 (c) (i) after the words “any development credit agreement” and before the words “with the Association”; and to Section 7.01 (b) (i) after the words “any other

development credit agreement” and before the words “between the Borrower and the Association.”

13. Section 6.05 is amended to read as follows:

“Except as the Borrower and the Association shall otherwise agree, any cancellation of any amount of the Credit shall be applied *pro rata* to the several installments of the principal amount of the Credit maturing after the date of such cancellation.”

14. Paragraph (c) of Section 9.06 is modified to read as follows:

“(c) Not later than six months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution of the program referred to in the Preamble to the Development Financing Agreement, the performance by the Borrower and the Association of their respective obligations under the Development Financing Agreement and the accomplishment of the purposes of the Financing.”

15. Section 9.04 is deleted and Sections 9.05, 9.06 (as modified above), 9.07 and 9.08 are renumbered, respectively, Sections 9.04, 9.05, 9.06 and 9.07.