

CONFORMED COPY

IDA GRANT NUMBER H151 BUR

Development Grant Agreement

(Administration Capacity Building Project)

between

BURKINA FASO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 29, 2005

IDA GRANT NUMBER H151 BUR

DEVELOPMENT GRANT AGREEMENT

AGREEMENT, dated March 29, 2005, between BURKINA FASO (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS the Recipient, 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; and

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Grant to the Recipient 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 May 1, 2004), with the modifications set forth in Schedule 6 to this Agreement (the General Conditions), constitute an integral part of this Agreement.

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

(a) “CFAF” or “CFA Francs” means *Francs de la Communauté Financière Africaine*, the currency of the Recipient;

(b) “DRED” means the regional offices of the MEDEV (*Directions Régionales de l’Economie et du Développement*);

(c) “Eligible Categories” means Categories (1) to (4) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(d) “Eligible Expenditures” means the expenditures for goods and consultants’ services referred to in Section 2.02 of this Agreement;

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

(f) “Initial Deposit” means an amount in CFA Francs equivalent to \$ 25,000 referred to in Section 3.03 (b) of this Agreement;

(g) “Local Area Network Contract” means the contract for services (other than consultants’ services) to be awarded for a computerized integrated network connecting the five principal treasury offices, nine financial audit offices, and two regional directorates, for the purpose of Project implementation;

(h) “MATD” means the Recipient’s Ministry of Territorial Administration and Decentralization (*Ministère de l’Administration Territoriale et de la Décentralisation*);

(i) “MEDEV” means the Recipient’s Ministry of Economy and Development (*Ministère de l’Economie et du Développement*);

(j) “MFB” means the Recipient’s Ministry of Finance and Budget (*Ministère des Finances et du Budget*);

(k) “MFPRE” means the Recipient’s Ministry of Civil Service and State Reform (*Ministère de la Fonction Publique et de la Réforme de l’Etat*);

(l) “MH” means the Recipient’s Ministry of Health (*Ministère de la Santé*);

(m) “Participating Ministries” means collectively the MEDEV, the MFB, the MH, the MFPRE and the MATD, each one of them being also individually referred to as a “Participating Ministry”;

(n) “Procurement Plan” means the Recipient’s procurement plan, dated February 3, 2005, covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation;

(o) “Project Preparation Advance” means the project preparation advance granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on January 25, 2005, and on behalf of the Recipient on February 3, 2005;

(p) “Project Implementation Manual” or “PIM” means the manual containing details of the Project’s financial and accounting procedures, procurement arrangements (including process, procedures and selection criteria), and other organizational and administrative arrangements, as shall be agreed with the Association for the purpose of Project implementation and adopted in accordance with Section 5.01 of this Agreement, as the same may be amended from time to time with the approval of the Association, and such term includes the annexes thereto;

(q) “Project Coordination Unit” or “PCU” means the Project coordination unit within the SGPM, established and maintained in accordance with Schedule 4 to this Agreement;

(r) “PRSP” means the second iteration of the Poverty Reduction Strategy Paper, adopted by the Recipient in 2004, for the 2004-2006 period;

(s) “Report-based Disbursements” means the Recipient’s option for withdrawal of funds from the Grant Account referred to in Part A.4 of Schedule 1 to this Agreement; and

(t) “SGPM” means the Recipient’s Prime Minister’s Office (*Secrétariat Général du Premier Ministère*).

ARTICLE II

The Grant

Section 2.01. The Association agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Development Grant Agreement, an amount in various currencies equivalent to four million six hundred thousand Special Drawing Rights (SDR 4,600,000).

Section 2.02. (a) The amount of the Grant may be withdrawn from the Grant 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 carrying out the Project and to be financed out of the proceeds of the Grant.

(b) Promptly after the Effective Date, the Association shall, on behalf of the Recipient, withdraw from the Grant 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 February 28, 2011, or such later date as the Association shall establish. The Association shall promptly notify the Recipient of such later date.

Section 2.04. (a) The Recipient shall pay to the Association a commitment charge on the principal amount of the Grant 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 Recipient from the Grant 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 2.05 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 Recipient; and (iii) in the currency of the French Republic or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of Section 4.02 of the General Conditions.

Section 2.05. Commitment charges shall be payable semiannually on May 1 and November 1 in each year.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient declares its commitment to the objective of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project through its SGPM, with due diligence and efficiency and in conformity with appropriate administrative, financial and technical 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 Recipient and the Association shall otherwise agree, the Recipient shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. (a) Except as the Association shall otherwise agree, procurement of the goods and services required for the Project and to be financed out of the proceeds of the Grant shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Recipient shall update the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association not later than 12 months after the date of the preceding Procurement Plan, for the Association's approval.

Section 3.03. Without limitation to its obligations under Section 3.01 of this Agreement, the Recipient shall:

(a) open and thereafter maintain, until completion of the Project, an account in CFAF in the Recipient's Treasury, on terms and conditions acceptable to the Association (the "Project Account");

(b) promptly thereafter deposit the Initial Deposit into the Project Account to finance the operating costs of the Project until December 31, 2005;

(c) on January 1, 2006, and the first day of each calendar quarter thereafter until completion of the Project, deposit in the Project Account the amount required to finance the operating costs of the Project for the next quarterly period; and

(d) ensure that funds deposited into the Project Account in accordance with paragraphs (b) and (c) shall be used exclusively to finance expenditures under the Project in addition to those financed out of the proceeds of the Grant.

Section 3.04. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Recipient shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Association, a plan designed to ensure the continued achievement of the Project's objectives; and

(b) afford the Association a reasonable opportunity to exchange views with the Recipient on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Recipient shall:

(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Association), audited, in accordance with consistently applied auditing standards acceptable to the Association, 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 (or such other period agreed to by the Association), (A) certified copies

of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and

- (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, 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 Grant Account were made on the basis of reports referred to in Part A.4 of Schedule 1 to this Agreement (Report-based Disbursements) or on the basis of statements of expenditure, the Recipient shall:

- (i) retain, until at least one year after the Association has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such reports and statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient's progress reporting obligations set out in Schedule 4, the Recipient shall prepare and furnish to the Association a financial monitoring report (FMR), 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, showing separately funds provided under the Grant, and explains variances between the actual and planned uses of such funds;
- (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 Project implementation ; 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 FMR 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 FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) Recipient has opened the Project Account referred to in Section 3.03 (a) of this Agreement and the Initial Deposit has been deposited therein;

(b) Recipient has appointed an external auditor for the Project, with qualifications, experience and terms of reference satisfactory to the Association, and in accordance with Schedule 3 to this Agreement;

(c) Recipient, in accordance with Schedule 4 to this Agreement, has: (i) established a fully integrated, computerized and operational administrative, accounting and financial management system, acceptable to the Association; (ii) set up a parameterized administration software; and (iii) adopted an administrative and financial procedure manual, satisfactory to the Association.

(d) Recipient has adopted the PIM, in form and substance satisfactory to the Association; and

(e) Annual Work Plan and the Annual Budget for the period starting with the effectiveness date of this Agreement to the end of the calendar year in which this Agreement becomes effective have been established and adopted by the Steering Committee, and have been submitted by the Recipient to the Association.

Section 5.02. The date hundred fifty (150) 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 Recipient; Addresses

Section 6.01. The Minister of the Recipient at the time responsible for finance is designated as representative of the Recipient 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 Recipient:

Ministère des Finances et du Budget
03 B.P. 7008
Ouagadougou 03
Burkina Faso

Cable address:	Telex:	Facsimile:
SEGEGOUV	5555	(226) 50 31 27 15 or (226) 50 31 54 09

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

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.

BURKINA FASO

By /s/ Tertius Zongo
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ A. David Craig
Authorized Representative

SCHEDULE 1
Withdrawal of the Proceeds of the Grant

A. General

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

<u>Category</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods and Equipment	800,000	100%
(2) Consultants' services and audits	2,000,000	100%
(3) Training and Workshops	1,250,000	100%
(4) Refunding of Project Preparation Advance	450,000	Amount due pursuant to Section 2.02 (b) of this Agreement
(5) Unallocated	100,000	

TOTAL	4,600,000	
	=====	

2. 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.

3. The Association may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures under contracts for (a) goods costing less than \$150,000 equivalent per contract, (b) services of consulting firms under contracts costing less than \$100,000 equivalent per contract; and (c) services of individual consultants costing less than \$50,000 equivalent per contract, all under such terms and conditions as the Association shall specify by notice to the Recipient.

4. The Recipient may request withdrawals from the Grant Account to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the FMR and any other information as the Association shall specify by notice to the Recipient (Report-based Disbursements). In the

case of the first such request submitted to the Association before any withdrawal has been made from the Grant Account, the Recipient shall submit to the Association only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

B. Special Account

1. The Recipient may open and maintain in CFAF a special deposit account in a commercial Bank acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment.

2. After the Association has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Grant Account of amounts to be deposited into the Special Account shall be made as follows:

(a) if the Recipient is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) if the Recipient is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Recipient out of the Special Account, the Recipient 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.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if the Association, at any time, is not satisfied that the reports referred to in Part A.4 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Recipient directly from the Grant Account; or

(c) if the Recipient 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: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Association shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the Grant Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Recipient of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Recipient shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or 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. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Recipient shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Recipient 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 subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Grant Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Grant Agreement.

Annex A

to

SCHEDULE 1

**Operation of Special Account
When Withdrawals Are Not
Report-based Disbursements**

1. For the purposes of this Annex, the term “Authorized Allocation” means the amount of CFAF 250,000,000, to be withdrawn from the Grant Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to CFAF 150,000,000 until the aggregate amount of withdrawals from the Grant 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 1,000,000.

2. 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 Recipient shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account such amount as the Recipient shall have requested.

(b) For replenishment of the Special Account, the Recipient shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. Prior to or at the time of each such request, the Recipient shall furnish to the Association the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement 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 Recipient, withdraw from the Grant Account and deposit into the Special Account such amount as the Recipient 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. Each such deposit into the Special Account shall be withdrawn by the Association from the Grant Account under one or more of the Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Grant minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the

Authorized Allocation. Thereafter, withdrawal from the Grant Account of the remaining unwithdrawn amount of the Grant shall follow such procedures as the Association shall specify by notice to the Recipient. 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.

Annex B

to

SCHEDULE 1

**Operation of Special Account
When Withdrawals Are
Report-based Disbursements**

1. Withdrawals from the Grant Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Grant Account under one or more of the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the Grant, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the reports referred to in Part A.4 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Recipient in improving the rationality, transparency, accountability and performance of its administration, by: (i) implementing decentralization and deconcentration of responsibilities and services, and (ii) building up institutional and legal infrastructure.

The Project consists of the following parts, subject to such modifications thereof as the Recipient and the Association may agree upon from time to time to achieve such objective:

Part A: Ministry of Civil Service and State Reform (MFPRE)

- (a) Rationalizing structures and administrative procedures;
- (b) developing tools and procedures to support policy formulation, monitoring and evaluation; and
- (c) improving human resource management (including staff evaluation policy) and deconcentration of key functions of human resource management towards sector ministries.

Part B: Ministry of Finance and Budget (MFB)

- (a) Rationalizing structures and administrative procedures, including without limitation, with respect to the General Directorate of the Treasury and Public Accounts (*Direction Générale du Trésor et de la Comptabilité Publique*), the General Directorate of the Budget (*Direction Générale du Budget*), the Central Directorate for Financial Control (*Direction Centrale des Contrôles Financiers*); and
- (b) improving: (i) public expenditure management by, *inter alia*, strengthening program budget management and reporting capacity, control systems, deconcentration of financial functions in the ministries and the provinces, and tax collections, and (ii) human resource management.

Part C: Ministry of Economics and Development (MEDEV)

- (a) Rationalizing structures and administrative procedures and clarifying the respective responsibilities of DRED;
- (b) rationalizing processes for elaborating, monitoring and evaluating sector and local policies;
- (c) strengthening human resource management and staff training; and

- (d) strengthening economic modeling capacity.

Part D: Ministry of Territorial Administration and Decentralization (MATD)

(a) Developing and improving tools, structures and procedures for the implementation of the decentralization policy;

(b) rationalizing structures and administrative procedures, clarifying the responsibilities of the MATD, and strengthening coordination and monitoring capacity; and

(c) (i) strengthening policy formulation monitoring and evaluation; (ii) developing a legal and institutional framework for an effective inter-ministerial coordination; and (iii) preparing a coherent national strategy of capacity building for local governments.

Part E: Ministry of Health (MH)

(a) Rationalizing structures and administrative procedures to support decentralization, clarifying responsibilities of the regional offices (*Directions Générales*) and local structures (*Districts Sanitaires*) of the MH, and strengthening management capacity and coordination with donors and other partners; and

- (b) developing contracting policies with the private sector.

Part F: SGPM

Improving internal efficiency and inter-ministerial coordination.

* * *

The Project is expected to be completed by August 31, 2010.

SCHEDULE 3

Procurement

Section I. General

A. All goods and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Recipient.

B. Other Procurement Procedures

1. National Competitive Bidding. (a) Goods and equipment estimated to cost \$50,000 or more but less than \$150,000 equivalent per contract may be procured under contracts awarded on the basis of National Competitive Bidding, except the Local Area Network Contract, estimated to cost \$142,000 equivalent.

(b) Grouping of contracts: To the extent practicable, contracts for goods and equipment shall be grouped in bid packages estimated to cost \$150,000 equivalent or more each.

2. Shopping. Goods and equipment estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping.

3. Direct Contracting. Goods and equipment which the Association agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method, in accordance with the provisions of paragraph 3.6 of the Procurement Guidelines.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality-and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality-and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$100,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Least-cost Selection. Services for assignments which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

3. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

4. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

5. Training: all trainings or workshops to be financed from the funds of the Grant shall be subject to the prior approval of the Association.

Section IV. Review by the Association of Procurement Decisions

1. All terms of reference for consultant services shall be subject to prior review by the Association.

2. Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) each contract for goods and services (other than consultants' services), (i) estimated to cost the equivalent of \$150,000 or more, or (ii) procured on the basis of Direct Contracting; (b) the Local Area Network Contract; (c) each contract for consultants' services (i) to be provided by a firm estimated to cost the equivalent of \$100,000 or more, (ii) to be provided by a firm procured on the basis of Single Source Selection, or (iii) to be provided by an individual estimated to cost the equivalent of \$50,000 or more; and (d) the first two contracts for consultants' services (regardless of the contract amount) to be provided by a firm selected by the procurement staff of a Participating Ministry. All other contracts shall be subject to Post Review by the Association.

SCHEDULE 4

Implementation Program

1. Project Oversight and Implementation Arrangements

A. The Recipient shall establish and maintain until Project completion the Project Coordination Unit within the SGPM. The PCU, under the supervision of the SGPM Permanent Secretary, shall be responsible for the overall coordination of the Project (to ensure consistency among the activities of each Participating Ministry) and the monitoring and evaluation of the Project's outcomes. The Recipient shall appoint and retain until completion of the Project within the PCU: (i) a full time Project Administrator, who shall ensure coordination among Participating Ministries, with national budget and with key stakeholders, (ii) a Procurement Specialist, who shall have the overall responsibilities of all procurement activities for the Project, including those handled directly by each Participating Ministry's Financial and Administrative Direction or Planning and Studies Direction, and (iii) a Chief Accountant, who shall have the overall responsibility of all financial management activities for the Project, and coach and assist the Participating Ministries in their budgeting and financing activities.

B. The Recipient shall ensure that (i) a representative (a Focal Point) be designated within each Participating Ministry, to act until Project completion, as such Ministry's focal point for the Project; (ii) each Focal Point establish a working group (a Working Group) for the implementation of the Project within its Participating Ministry; (iii) each Working Group be maintained until full completion of the Project.

Each Working Group shall be responsible for (i) the definition, on an annual basis, the coordination and the implementation, of the activities included in the Project concerning its Participating Ministry (the Annual Work Plan), and (ii) the preparation of its Participating Ministry's annual budget for the implementation of the Annual Work Plan.

C. The Recipient shall establish and maintain until Project completion a Technical Committee, comprised, *inter alia*, of the Project Administrator, the Procurement Specialist, and the Chief Accountant, and the five Focal Points. The Technical Committee shall meet at least once every three months, and shall provide technical support for the coordination and the implementation of the Project (including review of each Working Group's proposed annual budget and consolidation in a single annual budget (the Annual Budget)).

D. The Recipient shall establish and maintain until Project completion, a Steering Committee chaired by the SGPM General Secretary and comprised, *inter alia*, of the Project Administrator, the Procurement Specialist, the Chief Accountant, the General Secretary of each of the Participating Ministries, and the five Focal Points. The Steering Committee shall meet at least twice a year to: (i) discuss cross cutting questions; and (ii) review and approve Annual Work Plans and their implementation.

E. The Recipient shall carry out the Project in accordance with the Project Implementation Manual.

2. Monitoring and Reporting

A. Annual Work Plans and Budget

The Recipient shall furnish to the Association, as soon as available, but in any case no later than November 15 of each year, the Annual Work Plan and the Annual Budget for each subsequent calendar year, of such scope and in such detail as the Association shall have reasonably requested, except for the Annual Work Plan and the Annual Budget for the first year, which shall be furnished no later than the date set out in Section 5.02 of this Agreement.

B. Semi-Annual Reviews:

The Recipient shall:

(a) maintain policies and procedures adequate to enable each Participating Ministry to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 5 to this Agreement, the carrying out of the activities included in the Project and the achievement of the objectives of the Project;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about February 28 and August 31 each year, a report integrating the results of the monitoring and evaluation activities performed by each Participating Ministry pursuant to paragraph (a) of this Section, and centralized at the SGPM, 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; and

(c) review with the Association, by March 31 and September 30 each year, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, 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 the said report and the Association's views on the matter.

C. Midterm Review

The Recipient shall:

(a) (i) carry out jointly with the Association, no later than March 31, 2008, a mid-term review to assess the status of Project implementation, as measured against the performance indicators referred

to in Schedule 5 to this Agreement. Such review shall include an assessment of the following: (i) overall progress in the implementation of the Project; (ii) results of monitoring and evaluation activities; (iii) Annual Work Plans and the Annual Budgets; and (iv) progress on procurement and disbursement; and

(ii) make adjustments to the Project and reallocate funds to improve performance, if needed.

(b) prepare and furnish to the Association, three (3) months before such review, a report, in scope and detail satisfactory to the Association, needed to undertake the review, integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (B) of this Section 2, on the progress achieved in the carrying out of the Project during the period preceding the date of the said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective thereof during the period following such date; and

(c) review, jointly with the Association, the report referred to in paragraph (b) of this Section 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 the said report and the Association's views on the matter.

SCHEDULE 5

Performance Indicators

For the purpose of this Agreement, the performance indicators to be used for the Project implementation are as follows:

Overall:

- Number of line Ministries with: (a) satisfactory program budgets and medium term expenditure frameworks are: (i) satisfactory, (ii) duly reflected in annual credit allocations; and (iii) aligned with PRSP objectives and the national medium term expenditure framework; and (b) budget execution is monitored annually according to priority programs.
- Percentage of national budget transferred to, and executed by, local governments.

With respect to Part A of the Project: Support to the Ministry of Civil Service and State Reform

- Number of ministries implementing staff evaluation policies (including defining annual result agreements and basing promotions on the results of annual evaluations).
- Number of ministries having direct access to a fully operational and deconcentrated “*Système Intégré de Gestion Administrative et Salariale des Personnels de l’Etat*” (SIGASPE).

With respect to Part B of the Project : Support to Ministry of Finance and Budget

- Number of regions (as defined in the “*Code Général des Collectivités Territoriales au Burkina Faso*” adopted by the Recipient’s Parliament on December 21, 2004) directly connected to the computerized integrated network (CID).
- Number of controls made by the Internal Audit Office (*Inspection Générale des Finances* – IGF) within one year.
- Number of supervision missions made by IGF in the year following the control.
- Number of detailed and substantive replies to IGF recommendations sent by the offices audited by IGF in the year following these recommendations.

With respect to Part C of the Project: Support to the Ministry of Economic Development

- Number of regions where regional PRSP is prepared and monitored according to procedures and schedule.

With respect to Part D of the Project: Support to the Ministry of Territorial Administration and Decentralization

- Number of application decrees of the decentralization law adopted and implemented for the transfer of competences and resources.
- Percentage of elected local governments officials, staff of the local civil service and actors of technical and financial support trained according to capacity building strategy.

With respect to Part E of the Project: Support to the Ministry of Health

- Percentage of health regional directorates and health districts (*Centres de Santé et de Promotion Sociale -CSPS ; Centres Médicaux avec Annexe Chirurgicale -CMA ; et Equipes Cadre de District Sanitaire –ECD*), which receive their notice of budget allocation before mid-February.
- Number of contracts with the private sector for health care delivery effectively signed and implemented by central and regional health authorities.

With respect to Part F of the Project: Support to the Prime Minister Office

- Organizational Audit completed and percentage of agreed recommendations implemented.

SCHEDULE 6

Modifications to the General Conditions

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

1. Sections 3.02, 3.03, 3.04 (a), 3.04 (b), 6.05 and Article VII are deleted in their entirety.
2. Wherever used in the General Conditions, the following terms are modified to read as follows:
 - (a) The term “Borrower” is modified to read “Recipient”.
 - (b) The term “Credit” is modified to read “Grant”.
 - (c) The term “Credit Account” is modified to read “Grant Account”.
 - (d) The term “Development Credit Agreement” is modified to read “Development Grant Agreement”.
3. Section 1.01 is modified to read as follows:

“Section 1.01. Application of General Conditions

These General Conditions set forth the terms and conditions generally applicable to the Development Grant Agreement to the extent and subject to any modifications set forth in such agreement.”
4. Paragraph 3 of Section 2.01 is modified to read as follows:

“3. “Recipient” means the party to the Development Grant Agreement to which the Grant is made.”
5. Article III is modified as follows:
 - (a) The heading of Article III is modified to read “Grant Account; Partial Payment”, and the heading of Section 3.04 is modified to read “Partial Payment”.
 - (b) The words “The principal of, and service charges on, the Grant” in Section 3.05 are modified to read “All amounts required to be paid under the Development Grant Agreement”.
6. Article IV is modified as follows:

- (a) Section 4.02 (a) is modified to read as follows:

“Section 4.02. *Currencies in which Payments are to be Made*

(a) The Recipient shall pay all amounts required to be paid by it under the Development Grant Agreement in the currency specified in such agreement or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to paragraph (c) or (e) of this Section.”

- (b) Wherever used in Section 4.02(c) and (e) of the General Conditions, the words “principal and service charges” are modified to read “amounts”.

- (c) Section 4.03 is modified to read as follows:

“Section 4.03. *Amount of the Grant*

The amount of the Grant withdrawn from time to time shall be the equivalent in terms of SDR (determined as of the date or respective dates of withdrawal from the Grant Account) of the value of the currency or currencies so withdrawn.”

- (d) Section 4.06(b) is modified to read as follows:

“(b) All amounts which the Recipient shall be required to pay under the Development Grant Agreement shall be paid without restrictions of any kind imposed by, or in the territory of, the Recipient.”

7. Section 5.08 of the General Conditions is amended to read as follows:

“Section 5.08. *Treatment of Taxes*

Except as otherwise provided in the Development Grant Agreement, the proceeds of the Grant may be withdrawn to pay for taxes levied by, or in the territory of, the Recipient on the goods or services to be financed under the Grant, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Association’s policy of requiring economy and efficiency in the use of the proceeds of its credits and grants. To that end, if the Association shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Grant is excessive or otherwise unreasonable, the Association may, by notice to the Recipient, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Development Grant Agreement as required to be consistent with such policy of the Association.”

8. Article VI is modified as follows:
 - (a) The word “credit” in paragraphs (a)(ii) and (c)(i) of Section 6.02 is replaced with the words “credit, grant or financing”.
 - (b) Section 6.03 (c) is modified by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.
9. Section 8.01(a) is modified to read as follows:

“(a) All amounts which the Recipient shall be required to pay under the Development Grant Agreement shall be paid without deduction for, and free from, any taxes levied by, or in the territory of, the Recipient.”
10. Section 12.05 and its heading are modified to read as follows:

“Section 12.05. *Termination of Development Grant Agreement.*

The obligations of the Recipient under the Development Grant Agreement shall terminate on the date 20 years after the date of the Development Grant Agreement.”