

**CONFORMED COPY**

**CREDIT NUMBER 3476 BUR**

# **Development Credit Agreement**

**(Ouagadougou Water Supply Project)**

**between**

**BURKINA FASO**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated May 7, 2001**

**CREDIT NUMBER 3476 BUR**

**DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated May 7, 2001, between BURKINA FASO (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, 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;

(B) the Association has received a letter, dated January 11, 2001, from the Borrower, describing a program of actions, objectives and policies designed to strengthen the performance of the Borrower's water sector (the Program) and declaring the Borrower's commitment to the execution of the Program;

(C) The Borrower has obtained from the African Development Bank (AfDB) a loan (the AfDB Loan) in an amount equivalent to 4,740,000 Units of Account to assist in financing the Project on the terms and conditions set forth in an agreement (the AfDB Loan Agreement), dated February 5, 1998, entered into between the Borrower and AfDB;

(D) the Borrower has obtained from the Arab Bank for Economic Development in Africa (ABEDA) a loan (the ABEDA Loan) in an amount equivalent to USD 10,000,000 to assist in financing the Project on the terms and conditions set forth in an agreement (the ABEDA Loan Agreement), dated June 24, 1998, entered into between the Borrower and ABEDA;

(E) the Borrower intends to obtain from the European Development Fund (EDF) a grant (the EDF Grant) in an amount equivalent to 30,000,000 Euros to assist in financing the Project on the terms and conditions set forth in an agreement (the EDF Grant Agreement) to be entered into between the Borrower and EDF;

(F) the Borrower intends to obtain from the European Investment Bank (EIB) a loan (the EIB Loan) in an amount equivalent to \$20 million to assist in financing the Project on the terms and conditions set forth in an agreement (the EIB Loan Agreement) to be entered into between the Borrower and EIB;

(G) the Borrower has obtained from the Agence Française de Développement (AFD) a loan (the AFD Loan) in an amount equivalent to 21,000,000 Euros to assist in financing the Project on the terms and conditions set forth in an agreement, dated July 28, 1999 (the AFD Loan Agreement), entered into between the Borrower and AFD;

(H) the Borrower has obtained from the Islamic Development Bank (IsDB) a loan (the IsDB Loan) in an amount equivalent to 6,820,000 SDR to assist in financing the Project on the terms and conditions set forth in an agreement (the IsDB Loan Agreement) dated November 25, 1997, entered into between the Borrower and IsDB;

(I) the Borrower has obtained from the Kuwait Fund for Economic Development (KFED) a loan (the KFED Loan) in an amount equivalent to 4,000,000 Kuwaiti Dinars to assist in financing the Project on the terms and conditions set forth in an agreement dated June 27, 1997 (the KFED Loan Agreement), entered into between the Borrower and KFED;

(J) the Borrower has obtained from the Kreditanstalt für Wiederaufbau (KfW) a grant (the KfW Grant) in an amount equivalent to 38,000,000 DM to assist in financing the Project on the terms and conditions set forth in an agreement dated November 30, 1999 (the KfW Grant Agreement), entered into between the Borrower and KfW;

(K) the Borrower has obtained from the OPEC Fund (OPEC) a loan (the OPEC Loan) in an amount equivalent to USD 6,700,000 to assist in financing the Project on the terms and conditions set forth in an agreement dated April 21, 1997 (the OPEC Loan Agreement), entered into between the Borrower and OPEC;

(L) the Borrower has obtained from the West African Development Bank (BOAD) a loan (the BOAD Loan) in an amount equivalent to 5 Billion CFAF to assist in financing the Project on the terms and conditions set forth in an agreement, dated December 12, 1997 (the BOAD Loan Agreement), entered into between the Borrower and BOAD;

(M) The Project will be carried out by the *Office National de l'Eau et de l'Assainissement* (ONEA) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to ONEA a portion of the proceeds of the Credit as provided in this Agreement; and

WHEREAS the Association has agreed on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement, of even date herewith between the Association.

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 October 6, 1999), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

“12. ‘Participating Country’ means any country that the Association determines meets the requirements set forth in Section 11 of Resolution No. 194 of the Board of Governors of the Association, adopted on April 8, 1999; and ‘Participating Countries’ means, collectively, all such countries.” ; and

(b) The second sentence of Section 5.01 is modified to read:

“Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.”

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) “CFAF” means *Franc de la Communauté Financière Africaine*, the currency of the Borrower;
- (b) “Environmental Mitigation Plan” means the environmental mitigation plan prepared and adopted by the Borrower on May 27, 1998, detailing the measures proposed to address the adverse environmental impact of investments under the Program, including resettlement and income restoration activities for displaced persons;

- (c) “Financial Equilibrium” means ONEA’s capacity to meet all financial obligations in accordance with their terms, including debt service payments on old and new debt service payments, counterpart funds on the investments partly funded by donors, investments financed out of its own resources, payment of all duties, taxes, and suppliers, referred to in paragraph 1 of Schedule 3 to this Agreement;
- (d) “Fiscal Year” means the fiscal year of the Borrower starting January 1 and ending December 31, each calendar year;
- (e) “Initial Deposit” means 50,000,000 CFAF referred to in Section 2.07 (b) of the Project Agreement;
- (f) “ONEA” means *Office National de l’Eau et de l’Assainissement*, a *Société d’Etat* established and operating pursuant to the Borrower’s Decree 94-391, dated November 2, 1994;
- (g) “Project Agreement” means the agreement between the Association and ONEA, of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;
- (h) “ONEA Financing Agreement” means the agreement, under terms and conditions which shall have been approved by the Association, to be entered into between the Borrower and ONEA pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the ONEA Financing Agreement;
- (i) “MOZ” means *Maîtrise d’Ouvrage de Ziga*, the Project’s project coordination unit, referred to in paragraph 3 of Schedule 2 to the Project Agreement;
- (j) “Performance Agreement” means the agreement setting forth the rights and obligations of the Borrower and ONEA, in form and substance satisfactory to the Association, to be entered into between the Borrower and ONEA pursuant to Section 6.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Performance Agreement;
- (k) “Performance Indicators” means the monitoring and performance indicators referred to in paragraph 5 of Schedule 2 to the Project Agreement;

- (l) “Project Account” means the account referred to in Section 2.07 (a) of the Project Agreement;
- (m) “Project Management Report” means each report prepared in accordance with Section 4.02 of the Project Agreement;
- (n) “Project Preparation Advance” means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement dated May 28, 1999, between the Borrower and the Association;
- (o) “Project Execution Manual” means the project execution manual and supporting handbooks to be used by the Borrower and ONEA, as well as the implementation, administration, and accounting manuals for the implementation of the Project, in form and substance satisfactory to the Association, to be adopted by the Borrower and ONEA pursuant to Section 6.01 (b) of this Agreement and referred to in paragraph 1 of Schedule 2 of the Project Agreement and containing, inter alia, disbursement and procurement arrangements, work plans, training plans, the detailed Project monitoring and performance indicators, and procedures to be used for the purposes of implementation of the Project, and such term includes any schedules to the Project Execution Manual;
- (p) “Service Contract” means the service contract, on terms and conditions satisfactory to the Association, to be entered into between a Private Water Operator and ONEA pursuant to Section 6.01 (g) of this Agreement, for the purpose of managing ONEA’s commercial operations and introduce an integrated financial management and accounting system; and
- (q) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement.

## **ARTICLE II**

### **The Credit**

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to fifty-five million Special Drawing Rights (SDR 55,000,000).

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

(b) The Borrower may, for the purposes of the Project, open and maintain in CFAF a special deposit account in a commercial bank, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit 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 cancelled.

Section 2.03. The Closing Date shall be December 31, 2007 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 Credit 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 Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or 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 payment 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 per cent ( $3/4$  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 May 15 and November 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each May 15 and November 15 commencing May 15, 2011 and ending November 15, 2040. Each installment to and including the installment payable on, November 15, 2020, 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 them 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 currency of the French Republic is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. The Chairman of the Board of ONEA is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

### **ARTICLE III**

#### **Execution of the Project**

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end:

- (i) shall cause ONEA to carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, technical, financial, management and environmental practices, and in accordance with the provisions of the Project Agreement; and
- (ii) without limitation or restriction upon any of its other obligations under this Agreement, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable ONEA to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without limitation upon the provisions of paragraph (a) of this Section and, except as the Borrower and the Association shall otherwise agree, the Borrower shall cause ONEA to carry out the Project in accordance with the implementation program set forth in Schedule 3 to this Agreement and Schedule 2 to the Project Agreement.

(c) The Borrower shall relend the proceeds of the Credit to ONEA under a financing agreement to be entered into between the Borrower and ONEA (the Financing Agreement), providing, inter alia, for relending the proceeds of the Credit or the

equivalent thereof: (i) for an amount not exceeding the equivalent of SDR 33,000,000 as equity contribution, on a non-reimbursable basis; and (ii) for an amount not exceeding the equivalent of SDR 22,000,000 for a term of twenty years, including ten years of grace on the principal amount, at a rate of interest of 5.4% per annum on the principal amount withdrawn and outstanding from time to time, the cost of fluctuations in the currencies lent to be borne by the Borrower.

(d) The Borrower shall exercise its rights under the ONEA Financing Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the ONEA Financing Agreement, or any provision thereof.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to the Project Agreement.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitations thereto, the Borrower 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 Borrower and the Association, a plan, of such scope and in such detail as the Association shall reasonably request, for the future operation of the Project; and

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

Section 3.04. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project shall be carried out by ONEA pursuant to Section 2.03 of the Project Agreement.

Section 3.05. (a) Without limitation or restriction on the provisions of Section 3.01 of this Agreement, the Borrower and the Association, at the request of either party, shall exchange views on the progress achieved in the carrying out of the Project.

(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 Project, in such detail as the Association shall reasonably request.

Section 3.06. The Borrower shall:

(a) cause ONEA to report to the Association, on a quarterly basis on the progress of the Project including the status of the monitoring and performance indicators set forth in paragraph 5 of Schedule 2 to the Project Agreement; and

(b) take all necessary measures to implement and/or cause ONEA to implement the Environmental Mitigation Plan.

## **ARTICLE IV**

### **Financial Covenants**

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied, 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 Fiscal Year, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain, or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the Fiscal Year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such Fiscal Year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

## **ARTICLE V**

### **Remedies of the Association**

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

- (a) as a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out;
- (b) ONEA shall have failed to perform any of its obligations under the Project Agreement or the ONEA Financing Agreement;
- (c) as a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that ONEA will be able to perform its obligations under the Project Agreement;
- (d) the Borrower's Decree 94-391, dated November 2, 1994 shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and

adversely the ability of ONEA to perform any of its obligations under the Project Agreement;

- (e) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of ONEA or for the suspension of its operations;
- (f) the Service Contract shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of ONEA to perform any of its obligations under the Project Agreement; and
- (g) (i) Subject to subparagraph (ii) of this paragraph: (A) the right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the Agreement providing therefor, or (B) any such loan shall have become due and payable prior to the agreed maturity thereof; and
  - (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

- (a) any event specified in paragraph (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower;
- (b) the event specified in paragraphs (d), (e) or (f) of Section 5.01 of this Agreement shall occur; and
- (c) the event specified in paragraph (g) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (g) (ii) of that Section.

## ARTICLE VI

### **Effective Date; Termination**

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

- (a) the ONEA Financing Agreement has been executed on behalf of the Borrower and ONEA;
- (b) ONEA has adopted the Project Execution Manual, in form and substance satisfactory to the Association;
- (c) the Performance Agreement has been executed on behalf of the Borrower and ONEA;
- (d) the Borrower and ONEA have appointed financial auditors, acceptable to the Association, for the purposes of the Project, in accordance with the provisions of Section II of Schedule 1 to the Project Agreement;
- (e) ONEA has established a financial management system for the Project, in form and substance satisfactory to the Association;
- (f) ONEA has: (i) opened the Project Account; and (ii) paid into the Project Account the Initial Deposit; and
- (g) the Service Contract has been executed on behalf of ONEA and the Private Water Operator.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

- (a) that the Project Agreement has been duly authorized or ratified by ONEA, and is legally binding upon ONEA in accordance with its terms; and
- (b) that the ONEA Financing Agreement has been duly authorized or ratified by the Borrower and ONEA and is legally binding upon the Borrower and ONEA in accordance with its terms.

Section 6.03. 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 VII

### REPRESENTATIVES OF THE BORROWER; ADDRESSES

Section 7.01. With the exception of the provisions of Section 2.09 of this Agreement, the Minister responsible for finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Economy and Finance  
03 BP 7008  
Ouagadougou 03  
Burkina Faso

Cable address:	Telex:	Facsimile:
SEGEGOUV	5555	(226) 31 27 15 or (226) 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/ Bruno Zidouemba  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo  
Regional Vice President  
Africa

**SCHEDULE 1**

**Withdrawal of the Proceeds of the Credit**

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

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Civil Works for Parts A (a) and (b) of the Project	33,100,000	100% of foreign expenditures and 80% of local expenditures
(2) Goods for Parts A (a) and (b) of the Project	8,880,000	100% of foreign expenditures and 80% of local expenditures
(3) Consultants' Services and Training for Parts B and C of the Project	10,100,000	100%
(4) Refunding of Project Preparation Advance	320,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(5) Unallocated	2,600,000	
TOTAL	<u>55,000,000</u> =====	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; provided, however, that if the currency of the Borrower is also that of another country from the territory of which the goods and services are supplied, expenditures in such currency for such goods or services shall be deemed to be "foreign expenditures".

3. 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.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (i) works under contracts not exceeding \$500,000 equivalent; (ii) goods under contracts not exceeding \$200,000 equivalent; (iii) services under contracts with consulting firms not exceeding \$100,000; and (iv) services under contracts with individual consultants not exceeding \$50,000; all under such terms and conditions as the Association shall specify by notice to the Borrower.

## SCHEDULE 2

### Description of the Project

The objective of the Project is to assist the Borrower to increase access to adequate and reliable potable water supply in Ouagadougou and to strengthen the urban water sector management, by: (i) developing new water storage capacity; (ii) extending the secondary and tertiary water distribution networks; (iii) providing connections and water standpipes to low-income households; (iv) promoting efficiency in urban water supply operations by strengthening ONEA's capacity; and (v) transferring ONEA's commercial, financial and accounting operations to a Private water operator through a Service Contract.

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

#### Part A: Infrastructure

(a) The construction of the Boudtenga storage facility of about 5,400 m<sup>3</sup> and the laying down of about 17 kilometers of 1,000 mm diameter transmission main from the Ziga dam (Ziga Dam) to the Boudtenga storage facility and the laying down of about 24 kilometers of 1,000 mm diameter transmission main from the Boudtenga storage facility to Ouagadougou;

(b) the construction of about 210 kilometers of distribution and secondary and tertiary water networks and the installation of about 45,000 connections and 400 standpipes in Ouagadougou;

(c) the construction of an earth dam at Ziga of about 3,154 meters at a maximum height of 18.80 m and a 20 kilometers access road, with a reservoir of a capacity of about 200Mm<sup>3</sup> and a raw water pumping station (SP1) of about 3,150 m<sup>3</sup> per hour;

(d) the construction of a treatment plant and pumping station, consisting of a force main (1,000 mm) of about 2,400 meters to transport raw water to the treatment plant made of two modules of 1,500 m<sup>3</sup> per hour for the first tranche, including the following phases: prechlorination, sedimentation, filtration, neutralization and chlorination, equipment of the SP1 pumping plant and treated water pumping station (SP2) equipped with five pumps of 750 m<sup>3</sup> per hour and two storage tanks of 3,000 m<sup>3</sup>;

(e) the construction of a primary distribution system of about 50 km composed of three networks: North, Central and South; and

(f) the construction of a 33 KV power supply line of 31 km from Ziniaré to the Ziga Dam, as well as the supply of connection materials.

Part B: Technical assistance

Provision of technical assistance related to the supervision of the physical works under the Project, with the exception of supervision related to the construction of the Ziga dam.

Part C: Capacity Building and Institutional Strengthening of ONEA

(a) Training of selected ONEA staff related to technical, commercial, administrative and financial management of water utilities;

(b) outsourcing of the administrative, commercial, accounting and financial operations of ONEA to the private water operator under a Service Contract; and

(c) the improvement of the commercial, accounting and financial operations of ONEA through the provision of investment operating resources to be used by the private water operator, including: (i) purchase and replacement of metering systems and the repair of leaking connections; (ii) acquisition of computer equipment and software for computerized administrative, commercial and management systems and the acquisition of portable meter readers, and (iii) the carrying out of customer surveys, hygiene education and marketing activities.

Part D: Environmental Mitigation Plan

The carrying out of the Environmental Mitigation Plan.

\* \* \*

The Project is expected to be completed by June 30, 2007.

### **SCHEDULE 3**

#### **Implementation Program**

1. (a) The Borrower shall take all necessary measures to increase the tariff of water, starting January 1, 2002, so as to allow ONEA to achieve Financial Equilibrium in the urban water sub-sector by December 31, 2006.

(b) The Borrower shall, not later than July 31 of each year, commencing July 31, 2002, review ONEA's updated financial projections, and if necessary, readjust the annual tariff increase, so as to permit the realization of the Financial Equilibrium referred to in paragraph (a) above.

(c) For the purposes of paragraph (a) above, the increase for 2002 shall be across the board to all tariff categories.

2. The Borrower shall:

(a) not later than June 30, 2002, prepare and furnish to the Association, for its approval and comments:

(i) a proposal on a new tariff structure for water and sanitation, to be implemented as of January 1, 2003; and

(ii) a proposal on a mechanism to apply the annual percentage increase of the water tariff to the various tariff categories;

(b) upon approval by the Association, promptly implement the proposals referred to (i) and (ii) above; and

(c) every year, not later than August 31, starting on August 31, 2002: (i) review the forecast amount of its water consumption prepared if necessary with the assistance of ONEA; (ii) allocate, to the respective ministries' operating budgets, adequate provisions for payment of water consumption; (iii) include, after review of the accuracy of the arrears in the respective operating budget of its ministries and agencies for the next Fiscal Year, amounts sufficient for settling said ministries and agencies past water bills and future consumption; and (iv) release these funds for payment of said ministries and agencies past and current water bills on a quarterly basis not later than March 31, June 30, September 30 and December 31 of year starting on March 31, 2002.

3. The Borrower shall participate in all reviews referred to in paragraphs 4 and 5 of Schedule 2 of the Project Agreement, respectively, and assist ONEA to implement the action program pursuant to paragraph 6 (c) of Schedule 2 of the Project Agreement.

## **SCHEDULE 4**

### **Special Account**

1. For the purposes of this Schedule:
  - (a) the term “eligible Categories” means Categories (1) through (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement.
  - (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
  - (c) the term “Authorized Allocation” means an amount equivalent to 2 billion CFAF to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to 1 billion CFAF until the aggregate amount of withdrawals from the Credit 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 SDR 30,000,000.
2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, 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 Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.
  - (b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.



- (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule 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 Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower 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. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower 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.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

- (a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

- (b) if the Borrower 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 the records and accounts for the Special Account;

- (c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

- (d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. 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.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, (A) provide such additional evidence as the Association may request; or (B) 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 or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower 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 paragraphs 6 (a), (b), and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.