

CONFORMED COPY

CREDIT NUMBER 2728 BUR

Development Credit Agreement

(Urban Environment Project)

between

BURKINA FASO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 14, 1995

CREDIT NUMBER 2728 BUR

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 14, 1995, 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;

WHEREAS: (B) the Association has received a letter dated March 23, 1995 from the Borrower describing a program of actions, objectives and policies designed to improve implementation of the Borrower's decentralization policy (the Program) and declaring the Borrower's commitment to the execution of the Program;

WHEREAS: (C) by agreement dated March 31, 1995 (the FAC Grant Agreement), the French Fonds d'aide et de cooperation (FAC) has agreed to make a grant (the FAC Grant) to the Borrower in an aggregate principal amount equivalent to nine million French francs (FRF 9,000,000) to assist in financing parts of the Project on the terms and conditions set forth in the FAC Grant Agreement;

WHEREAS: (D) the Borrower intends to obtain from the United Nations Development Fund/Country Program Funds (UNDP) a grant (the UNDP Grant) in an aggregate principal amount equivalent to six hundred thousand dollars (\$600,000) to assist in financing parts of the Project on the terms and conditions set forth in an agreement to be

entered into between the Borrower and UNDP (the UNDP Grant Agreement);

WHEREAS: (E) Part A (3) of the Project will be carried out by the Office National de l'Eau et de l'Assainissement of the Borrower (ONEA), with the Borrower's assistance, and, as part of such assistance, the Borrower will make available to ONEA part 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 ONEA Project Agreement of even date herewith between the Association and ONEA;

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

(a) The last sentence of Section 3.02 is deleted.

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

"Except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Association 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) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to three commitment letters by the Association dated: (i) September 30, 1992, and confirmed by the Borrower on October 12, 1992; (ii) February 2, 1994, and confirmed by the Borrower on February 24, 1994; and (iii) August 5, 1994, and confirmed by the Borrower on September 12, 1994, respectively.

(b) "CFAF" means the currency of the Borrower;

(c) "Special Account" means each of the special accounts referred to in Section 2.02 (b) of this Agreement, and the term "Special Accounts" means all such accounts;

(d) "MPW" means the Ministry responsible for Public Works, Urban Planning and Housing of the Borrower;

(e) "Project Unit" or "PU" means the unit referred to in paragraph 1 (a) of Schedule 4 to this Agreement;

(f) "Project Account" means each of the accounts referred to in Section 3.01 (b) of this Agreement, and the term "Project Accounts" means all such accounts;

(g) "Guarantee Fund" means the Fund referred to in Part B (5) of the Project;

(h) "Procedural Manual" means the manual of procedures, prepared by the Borrower and acceptable to the Association, for the implementation of the Project, including the Implementation Plan, the Guarantee Fund Implementation Manual, Project monitoring indicators, accounting methods, management rules and sample bidding documents;

(i) "ONEA Subsidiary Loan Agreement" means the agreement entered into between

the Borrower and ONEA pursuant to Section 3.01 (e) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the ONEA Subsidiary Loan Agreement;

(j) "ONEA 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 ONEA Project Agreement;

(k) "Ouagadougou" means the city of Ouagadougou, as defined in Law No. 005/93/ADP of May 12, 1993;

(l) "Bobo-Dioulasso" means the city of Bobo-Dioulasso, as defined by Law No. 006/93/ADP of May 12, 1993;

(m) "RAF" means Reorganisation Agraire et Fonciere, the Borrower's land tenure act, ZATU No. An VIII 0039 bis FP/PRES of June 4, 1991 as amended to the date of this Agreement;

(n) "MLG" means Ministere de l'Administration Territoriale, the Ministry of Local Governments of the Borrower;

(o) "CPE" means Caisses Populaires d'Epargne, a savings and loan cooperatives network in the territory of the Borrower;

(p) "MF" means the Ministry responsible for the Finances of the Borrower;

(q) "AET" means Agence d'Execution des Travaux, a local construction management company;

(r) "DGI" means Direction Generale des Impots, the Directorate in charge of tax collection in the Borrower's Ministry of Finance; and

(s) "DGUTF" means Direction Generale d'Urbanisme et des Travaux Financiers, the Directorate in charge of urban planning and land management in the Borrower's Ministry of Public Works.

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 twenty-four million eight hundred thousand Special Drawing Rights (SDR 24,800,000).

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 two special deposit accounts (Special Account "A" for all Parts of the Project with the exception of Part A (3); and Special Account "B" for Part A (3) of the Project) 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 Accounts shall be made in accordance with the provisions of Schedule 5 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 the Association 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 March 31, 2001 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 November 15, 2005 and ending May 15, 2035. Each installment to, and including the installment payable on, May 15, 2015 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 gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years; 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 terms of repayment of installments under paragraph (a) above by 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. If so requested by the Borrower, the Association may revise such modification 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.

(c) 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.

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 shall, to this end:

- (i) carry out Parts A (1), (2), (4), (5) and B of the Project, with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, environmental and

ecological practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for Parts A (1), (2), (4) (5) and B of the Project; and

(ii) without any limitation or restrictions upon any of its other obligations under this Agreement, cause ONEA to carry out Part A (3) of the Project under the overall coordination of PU and to perform in accordance with the provisions of the ONEA Project Agreement its obligations therein set forth; and take or cause to be taken all actions, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable ONEA to perform such obligations, and 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 carry out Parts A (1), (2), (4), (5) and B of the Project in accordance with the Implementation Schedule set forth in Schedule 4 to this Agreement.

(c) Without limitation upon the provisions of paragraphs (a) and (b) of this Section, and except as the Borrower and the Association shall otherwise agree, the Borrower shall open and maintain, until completion of the Project, three project accounts (Project Account "A" for MPW/PU; Project Account "B" for ONEA and Project Account "C" for the Guarantee Fund) in a commercial bank acceptable to the Association on terms and conditions satisfactory to the Association; all such Project Accounts to be used exclusively for the purposes of meeting expenditures incurred under the Project.

(d) The Borrower shall deposit into the Project Account "A" an initial amount of \$130,000 equivalent and, thereafter, promptly before the end of each fiscal semester, sufficient funds to pay the Borrower's contribution to the financing of the Project required for such fiscal semester, as estimated by the Borrower in consultation with the Association.

(e) The Borrower shall relend the proceeds of this Credit allocated from time to time to Part A (3) of the Project to ONEA under a Subsidiary Loan Agreement to be entered into between the Borrower and ONEA, under terms and conditions which shall have been approved by the Association and which shall include, inter alia: (i) repayment of principal in forty years including a ten year grace period; (ii) repayment in semi-annual installments of 1% of the principal amount from the eleventh to the twentieth year and 2% thereafter; and (iii) a service charge at the rate of three-fourth of one percent (3/4 of 1%) per annum of the principal amount of the Credit onlent and outstanding from time to time.

(f) The Borrower shall exercise its rights under the ONEA Subsidiary Loan 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 Subsidiary Loan 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 3 to this Agreement.

Section 3.03. Without limitation upon the provisions of Article IX of the General Conditions, the Borrower shall:

(a) prepare 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 preservation of the accomplishments of the Project;

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

(c) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon.

Section 3.04. The Association and the Borrower 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 Part A (3) of the Project shall be carried out by ONEA pursuant to Section 2.03 of the ONEA Project Agreement.

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 Parts A (1), (2), (4), (5) and B of the Project by 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 Special Accounts (A) and (B), 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 year, a certified copy of 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, 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 or payment out of the Special Accounts (A) and (B) 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 (h) of the General Conditions, the following additional events are specified:

(a) A situation has 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 ONEA Project Agreement.

(c) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that ONEA will be able to perform its obligations under the ONEA Project Agreement.

(d) The act constituting the establishment of ONEA 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 ONEA 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) (i) Subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the proceeds of the FAC Grant and the UNDP Grant, shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, or termination 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 (d) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower;

(b) the events specified in paragraphs (d) and (e) of Section 5.01 of this Agreement shall occur; and

(c) the event specified in paragraph (f) (i) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (f) (ii) of said 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) all conditions precedent to the effectiveness of the FAC Grant Agreement and the UNDP Grant Agreement have been fulfilled, other than those related to the effectiveness of this Agreement;

(b) the ONEA Subsidiary Loan Agreement has been executed on behalf of the Borrower and ONEA;

(c) the Borrower has furnished to the Association the Procedural Manual, acceptable to the Association;

(d) the contract for delegating management of works under Part B (4) of the Project referred to in paragraph (1) (b) of Schedule 4 to this Agreement has been signed by the parties thereto;

(e) the PU referred to in paragraph (1) of Schedule 4 to this Agreement has been established with a composition and terms of reference acceptable to the Association, and a Project Manager to head said PU, whose qualifications and experience shall be satisfactory to the Association, has been appointed in accordance with the provisions of Section II of Schedule 3 to this Agreement and has assumed his position;

(f) (i) a solid waste management action plan for carrying out Part A (4) of

the Project; and (ii) the action plan for computerization pursuant to Part B (1) of the Project, both acceptable to the Association, have been furnished to the Association;

(g) the independent auditors referred to in Section 4.01 (b) of this Agreement have been appointed in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(h) an accounting system for the Project, satisfactory to the Association and consistent with the Procedural Manual, has been established and a qualified and experienced accountant, satisfactory to the Association, has been recruited in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(i) the Borrower has opened the Project Accounts referred to in Section 3.01 (c) of this Agreement and the initial amount specified in Section 3.01 (d) of this Agreement has been deposited into Project Account "A"; and

(j) the Borrower has furnished to the Association an environmental impact mitigation plan, acceptable to the Association, regarding the piped sewage system of Ouagadougou.

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) the ONEA Project Agreement has been duly authorized or ratified by ONEA and is legally binding upon ONEA in accordance with its terms; and (b) the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, 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 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. The Minister of the Borrower responsible for Planning 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:

Ministere de l'Economie, des Finances et du Plan
03 BP 7050
OUAGADOUGOU 03
Burkina Faso

Telex:

5555 SEGEGOUV

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

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/ Gaetan R. Ouedraogo

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V.K. Jaycox

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:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil Works		
(a) Part A (3)	1,100,000	100% of foreign expenditures and 95% of local expenditures
(b) Part B (4)	1,340,000	100% of foreign expenditures and 95% of local expenditures
(c) Other	13,260,000	100% of foreign expenditures and 95% of local expenditures
(2) Goods and vehicles	670,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost), and 95% of local expenditures for other items procured locally
(3) Consultants' Services and Training		
(a) Part A (3)	710,000	100%

(b) Other	3,350,000	100%
(4) Guarantee Fund		
(a) Pilot Phase	70,000	80%
(b) After Pilot Phase	340,000	80%
(5) Operating expenses	340,000	95%
(6) Refunding of Project Preparation Advance	940,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(7) Unallocated	2,680,000	
TOTAL	24,800,000	

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;

(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";

(c) the term "operating expenditures" means the incremental costs of salaries of contractual staff, travel allowances for project staff, equipment and vehicle maintenance and operating costs, and office supplies, incurred in the carrying out of the Project.

3. (a) 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; and

(b) no payments shall be made under Category (4) (b) of the table under paragraph 1 above, unless and until the Association has evaluated the pilot phase referred to in paragraph (1) (d) of Schedule 4 to this Agreement and notified the Borrower of its agreement for the Borrower to expand the operation of the Guarantee Fund according to said paragraph.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) goods and works under contracts not exceeding \$100,000 and \$200,000 equivalent, respectively; (b) services under contracts not exceeding \$100,000 for consultant firms and \$50,000 for individual consultants, under such terms and conditions as the Association shall specify by notice to the Borrower; and (c) expenses under Category (4) of the table under paragraph 1 above.

SCHEDULE 2

Description of the Project

The objective of the Project is to strengthen the administration of Ouagadougou and Bobo-Dioulasso in pursuance of the Borrower's decentralization and environmental policies through: (1) execution of urban works in primary infrastructure; (2) development of urban services directly benefitting the urban poor population and stimulating their active participation in such services; and (3) establishment of appropriate laws and regulations pertaining to land management and urban planning.

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: Restoration of primary infrastructure networks.

1. Rehabilitation of priority primary drainage networks

(a) channeling: (i) Zogona and Wemtenga gullies in Ouagadougou; and (ii) Houet gully in Bobo-Dioulasso;

(b) carrying out drainage simulation studies and a drainage master plan for Ouagadougou and Bobo-Dioulasso;

(c) carrying out research programs in relation to, and promotion of, recommended technologies for drainage works;

2. Rehabilitation and restructuring of primary peripheral urban road networks, in Ouagadougou and Bobo-Dioulasso.

3. Piped sewage and on-site sanitation

(a) in Ouagadougou and Bobo-Dioulasso: (i) promotion of technologies for pit-emptying and provision of technical assistance to small entrepreneurs operating in the aforementioned line of business; (ii) sensitization of the population to use recommended technologies for on-site sanitation; and (iii) preparation of training materials; and carrying out of training and provision of advisory services for artisans to construct and rehabilitate on-site sanitation systems;

(b) in Ouagadougou according to the Plan Strategique d'Assainissement de Ouagadougou: (i) development of on-site sanitation; (ii) development of sewage systems, including design and construction of waste water treatment ponds; and (iii) construction of approximately 119 school amenity systems;

(c) in Bobo-Dioulasso: elaboration of a Strategic Sanitation Plan.

4. Solid Waste Management

In Ouagadougou and Bobo-Dioulasso:

(a) closing of unsafe dump sites; restoration and rehabilitation of sanitary landfills; and construction of new solid waste transfer stations and sanitary landfills;

(b) carrying out of environmental impact studies, design and supervision of works;

(c) provision of advisory services to entrepreneurs engaged in the solid waste management business; sensitization of the population to composting and recycling and promotion of these activities; and development of cost recovery systems from beneficiaries for services rendered.

5. Toxic and Industrial Waste Management

(a) decreasing polluters' impact through: (i) pollution prevention audits; and (ii) strengthening of monitoring capacity of the administration of the Borrower responsible for environmental control;

(b) strengthening of toxic and industrial waste monitoring institutions and laboratories and establishment of new such institutions and laboratories;

(c) preparation of an industrial and toxic waste management action plan;

(d) carrying out of feasibility studies for used oil treatment plants.

Part B: Capacity Building

1. Local resource mobilization in Ouagadougou and Bobo-Dioulasso. Adjustment and expansion of the land and real property tax system aimed at:

(a) improvement of local fiscal management;

(b) preparation of a land and real property tax system and action plan for the computerized collection of such tax by DGI and DGUTF;

(c) definition and implementation of cost recovery principles for sanitation and waste management through: (i) field surveys preparing on-time tax records; and

(ii) updating of land-use records and billing systems;

(d) control and maintenance of collection performance based on tax records;
and

(e) development of a pilot program to establish computerized land and real property tax record management.

2. Institutional framework for urban management:

(a) strengthening of the institutional capacity of MPW through: (i) provision of advisory services regarding the reform of RAF; (ii) provision of information regarding urban development and urban land-use; (iii) assessment of urban-land demand; (iv) development of an adequate reserve of urban land, based on such assessment; (v) encouragement of free market exchanges for urban land; and

(b) carrying out of an Urban Information System to: (i) facilitate planning and programming of investments; (ii) manage resources generated by use of urban land; and (iii) contribute to the development of an urban finance base through the expansion of a land and real property tax system and the future implementation of such a tax system.

3. Technical Assistance, Training and Monitoring.

Strengthening of local capacity through two-year action plans to: (a) design, coordinate and implement institutional tasks; (b) identify and rectify institutional weakness; (c) execute public awareness campaigns; and (d) assess the impact of new investments.

4. Community participation executed through AET:

(a) strengthening of MLG in project identification, human resource development, participatory execution of works, coordination and development of regulatory frameworks conducive to beneficiary participation; and

(b) carrying out of tertiary level urban infrastructure investments in Ouagadougou and Bobo-Dioulasso with the active participation of beneficiaries for, inter alia: (i) drainage and road rehabilitation; (ii) urban renewal; and (iii) door-to-door waste collection.

5. Housing development.

Strengthening of housing development through the establishment of a Guarantee Fund to guarantee CPE lending and provision of:

(a) technical assistance to selected CPE staff to acquire technical, legal and financial efficiency;

(b) a pilot guarantee program in five selected CPE agencies; and

(c) expansion of the guarantee program to the CPE network upon successful completion of the pilot program.

* * *

The Project is expected to be completed by September 30, 2000.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

Part C: Preference for domestically manufactured goods and domestic contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

Part D: Other Procurement Procedures

1. National Competitive Bidding

(a) Goods estimated to cost \$100,000 equivalent or less per contract and \$1,300,000 equivalent or less in the aggregate, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Works other than under Part B (4) of the Project, estimated to cost \$500,000 equivalent or less per contract and \$4,600,000 equivalent or less in the aggregate, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods estimated to cost \$20,000 equivalent or less per contract and \$100,000 equivalent or less in the aggregate, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Works estimated to cost \$10,000 equivalent or less per contract and costing \$100,000 equivalent or less in the aggregate may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

4. Community Participation

Works required for Part B (4) of the Project shall be carried out through community participation in accordance with procedures acceptable to the Association.

Part E: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to: (i) each contract for works, with the exception of contracts under part B (4) of the Project, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply for the first two years after Effective Date. Thereafter, these procedures shall apply to each contract for works estimated to cost the equivalent of \$200,000 or more; and (ii) each contract for goods estimated to cost the equivalent of \$100,000 or more, the procedure set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank with such modifications thereto as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Association shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each; or (b) contracts for the employment of individual consultants estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Association review shall not apply to: (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Association, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 4

Implementation Program

1. The Borrower shall:

(a) establish PU at MPW, which shall be responsible for, inter alia: (i) Project coordination among the Comite Interministeriel de Pilotage, (CIP), notably MF; the cities of Ouagadougou, and Bobo-Dioulasso; and ONEA; (ii) sensitization and awareness promotion of Project activities among beneficiaries; and (iii) furnishing quarterly project implementation reports to the Association as detailed as reasonably requested by the Association; said PU to be led by a qualified and experienced Project Manager acceptable to the Association; and maintain such qualified Project Manager and PU, equipped with qualified support staff in sufficient numbers, until completion of the Project, unless otherwise agreed upon between the Borrower and the Association;

(b) three months after Effective Date, conclude and furnish to the Association the signed agreement with AET, acceptable to the Association, for implementation of Part B (4) of the Project; and maintain said agreement until completion of the Project and not amend, suspend, abrogate, repeal or waive said agreement, unless previously agreed upon between the Borrower and the Association;

(c) six months after Effective Date, furnish to the Association for approval: (i) an agreement on an implementation and action plan, satisfactory to the Association, concluded between MF and MPW, covering the coordination of the Ouagadougou and Bobo-Dioulasso resource mobilization programs and the monitoring and evaluation indicators for their execution; and (ii) an action plan to strengthen local capacity pursuant to Part B (3) of the Project. Upon approval by the Association of the agreement referred to under subparagraph (i) of this paragraph and the action plans referred to under subparagraph (ii) of this paragraph, conclude and proceed to implement said agreement and said action plan in accordance with their terms and not amend, suspend, abrogate, repeal or waive such agreement or action plan, unless previously agreed upon between the Borrower and the Association.

(d) implement Part B (4) of the Project in three stages: (i) within three months of Effective Date, initiate a six month training program for selected CPE personnel to acquire technical, legal and financial management efficiency; (ii) following such training, implement a twelve month pilot phase in five selected CPE agencies consisting of: (A) establishment of a Guarantee Fund designed to guarantee specific CPE loans, according to the Guarantee Fund Implementation Manual; (B) issuance of guarantees under said Guarantee Fund; and (C) evaluation of loan and guarantee performance; (iii) have the performance of the CPE under the pilot phase referred to under subparagraph (ii) of this paragraph audited by an independent auditor; furnish such audit to the Association within three months of the end of such pilot phase; and consult with the Association on the recommendation of such auditor; and (iv) expand the Guarantee Fund to the entire operation of CPE upon approval of the Association.

(e) implement: (i) Part B (1) of the Project through DGI; and (ii) Part B (2) of the Project through DGUTF;

(f) process procurement operations under International Competitive Bidding Conditions and Local Competitive Bidding conditions, respectively, as set forth in Schedule 3 to this Agreement with due diligence and, in particular: (i) within four (4) weeks from bid opening, transmit to the Association documentation as set forth in paragraph (2) (b) of Appendix 1 to the Guidelines referred to in Schedule 3 to this Agreement; and (ii) within four (4) weeks from the receipt of the Association's non-objection to the proposed contract, have said contract signed;

(g) carry out the action plan for implementation of Part A (4) of the Project in compliance with environmental assessment studies, executed under terms of reference satisfactory to the Association, prior to the implementation of works.

2. (a) The Borrower shall maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Procedural Manual, the carrying out of the Project and the achievement of the objectives thereof; and not alter, amend, waive or abrogate such Procedural Manual without prior approval of the Association;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, not later than April 30 of each year, a report of Project implementation integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, 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, two months after having furnished the report referred to in paragraph (b) of this Section to the Association, or such later date as the Association shall request, said report (the review to be held not later than June 30, 1998 hereinafter referred to as mid-term review) 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 said report and the Association's views on the matter.

3. The Borrower shall, prior to the mid-term review referred to under paragraph 2(c) of this Schedule: (i) submit to Parliament for approbation the Code des Communes, acceptable to the Association, prepared pursuant to the Credit Agreement, concluded between the Borrower and the Association (Second Urban Project) on December 22, 1989; (ii) furnish to the Association for approval the final report of the study "Definitions des Modalites de Developpement des Ressources Locales" prepared by the Commission Nationale de Decentralisation of the Borrower, with comments, and prepare the legal framework proposed in said study as approved by the Association; and (iii) furnish a separate report on efficiency of cost recovery measures under the Project.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means: (i) in the case of Special Account "A", Categories (1)(b), (c); (2); (3)(b); (4) and (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; and (ii) in the case of Special Account "B", Category (1)(a) and (3)(a) of said table.

(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 \$1,000,000 for Special Account "A" and equivalent to \$300,000 for Special Account "B"; to be withdrawn from the Credit Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$500,000 for Special Account "A" and to an amount equivalent to \$150,000 for Special Account "B" until, in respect of Special Account "A", the aggregate amount of

withdrawals and commitments for Parts A (1), (2), (4), (5) and B of the Project shall be equal to or exceed the equivalent of SDR 10,000,000 and, in respect of Special Account "B", the aggregate amount of withdrawals and commitments for Part A (3) of the Project shall be equal to or exceed the equivalent of SDR 900,000.

2. Payments out of the Special Accounts 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 Accounts have been duly opened, withdrawals of the Authorized Allocations and subsequent withdrawals to replenish the Special Accounts shall be made as follows:

(a) For withdrawals of the Authorized Allocations, the Borrower shall furnish to the Association a request or requests for a deposit into Special Account "A" or Special Account "B", respectively, which do not exceed the aggregate amount of the respective 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 respective Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Accounts, the Borrower shall furnish to the Association requests for deposits into the Special Accounts 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 respective 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 respective 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 Accounts, 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 Accounts:

(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 respective 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, less the amount of any outstanding special commitment 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 total Authorized Allocation for Special Account "A" and Special Account "B", respectively, as the case may be.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories of disbursement under Special Account "A" or Special Account "B", respectively, as the case may be, 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 respective 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 any one of the Special Accounts: (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 respective 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 respective 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 one of the Special Accounts 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 Accounts.

(d) Refunds to the Association made pursuant to paragraph 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.

