

CONFORMED COPY

CREDIT NUMBER 1889 BU

(Small Enterprise/APEX Project)

between

REPUBLIC OF BURUNDI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 8, 1988

CREDIT NUMBER 1889 BU

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 8, 1988, between REPUBLIC OF BURUNDI ("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 Project will be carried out by the Banque de la Republique du Burundi and the Chamber of Commerce, Industry, Agriculture and Handicraft of Burundi with the Borrower's assistance, and as part of such assistance, the Borrower will make available to the Banque de la Republique du Burundi and to the Chamber of Commerce, Industry, Agriculture and Handicraft of Burundi 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

and the Banque de la Republique du Burundi;

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 last sentence of Section 3.02 deleted (the "General Conditions"), constitute an integral part of this Agreement.

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

(a) "BRB" means Banque de la Republique du Burundi, the Borrower's central bank, established pursuant to its Statutes;

(b) "CCIB" means the Chamber of Commerce, Industry, Agriculture and Handicraft of Burundi;

(c) "Cooperation Agreement" means an agreement to be entered into between the Borrower and CCIB, pursuant to Section 3.04 (a) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Cooperation Agreement;

(d) "Franc Burundais" and "FBu" mean the currency of the Borrower;

(e) "Government Security" means the debt obligation having the longest available maturity among those publicly issued by the Borrower;

(f) "Government Security Rate" means the interest rate payable on any Government Security;

(g) "Investment Enterprise" means an enterprise to or for which a PFI (as hereinafter defined) has made or proposes to make a Sub-loan and which meets the criteria established for small-scale enterprises set forth in paragraph 2 of Schedule 2 to the Project Agreement;

(h) "Investment Project" means a specific development project to be carried out by an Investment Enterprise utilizing the proceeds of a Sub-loan;

(i) "Management Agreement" means the agreement to be entered into between the Borrower and BRB pursuant to Section 3.02 (a) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Management Agreement;

(j) "Industrial Rediscount Rate" means the discount rate (taux de mobilisation) applied in the Borrower's territory to medium-term industrial credit as set from time to time by BRB;

(k) "Participating Financial Intermediary" and "PFI" mean a commercial or development bank or credit institution acceptable to the Association to which BRB under an agreement (a "Participating Agreement") with such bank or institution, has lent proceeds of the Credit for relending to Investment Enterprises for Investment Projects;

(l) "Project Agreement" means the agreement between the Association and BRB 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;

(m) "Project Management Unit" means the unit to be established within BRB pursuant to Section 2.01 (b) of and Schedule 1 to the Project Agreement, to be responsible, inter alia, for the carrying out of Part A of the Project;

(n) "SEB" means the Small Enterprise Bureau to be established pursuant to the terms and conditions of the Cooperation Agreement within CCIB and to be responsible, inter alia, for the carrying out of Part B of the Project;

(o) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(p) "Statutes" means the Statutes of BRB, dated January 3, 1976, as amended to the date of this Agreement; and

(q) "Sub-loan" means a loan or credit made or proposed to be made by a PFI to an Investment Enterprise for an Investment Project under a Sub-loan Agreement out of the equivalent of the proceeds of the Credit made available to such PFI by BRB.

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 five million seven hundred thousand Special Drawing Rights (SDR 5,700,000).

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: (i) amounts paid (or, if the Association shall so agree, amounts to be paid) under Part A of the Project by Participating Financial Intermediaries on account of withdrawals made by Investment Enterprises under Sub-loans to meet the reasonable cost of goods and services required for Investment Projects; and (ii) expenditures made (or if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for Part B of the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special account in a credit institution acceptable to the Association on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1994 or such later date as the Association shall establish. The Association shall promptly notify the Borrower and BRB 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 a 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 as of the next payment date in that year, specified in Section 2.06 of this Agreement, except that the rate set as of June 30, 1988 shall be applied as of July 1, 1988.

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

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

the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on 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 semiannual installments payable on each May 15 and November 15, commencing May 15, 1998, and ending November 15, 2027. Each installment to and including the installment payable on November 15, 2007, 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 United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. BRB, acting through the Project Management Unit, 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

Use of Proceeds of the Credit

Section 3.01. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement shall: (a) cause BRB to carry out Part A of the Project and to perform, in accordance with the provisions of the Project Agreement, all the obligations of BRB therein set forth;

(b) take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable BRB to perform such obligations;

(c) not take or permit to be taken any action which would prevent or interfere with such performance;

(d) carry out Part B of the Project through CCIB with due diligence and efficiency, and in conformity with appropriate administrative practices and the terms and conditions of the Cooperation Agreement; and

(e) as the need may arise, provide promptly the funds, facilities, services and other resources required for Part B of the Project.

Section 3.02. With respect to Part A of the Project, the Borrower shall:

(a) relend to BRB under a Management Agreement, satisfactory to the Association, the portion of the Credit allocated to and withdrawn under Category 1 in the table in paragraph 1 of Schedule 1 of this Agreement at an interest rate equal to: (i) when no Government Security market is established in the Borrower's territory, one percent (1%) below the Industrial Rediscount Rate; or (ii) when the Borrower and the Association are satisfied that such a Government Security market is established and operating, one-half of one percent (1/2%) below the Government Security Rate, the principal amount of the Credit relend to BRB shall be repaid to the Borrower in equal annual installments beginning ten (10) years after the date of this Agreement and ending thirty (30) years after the date of this Agreement;

(b) cause BRB to onlend the proceeds of the Credit received under paragraph (a) of this Section under Participating Agreements to Participating Financial Intermediaries at an interest rate equal to: (i) in the case envisaged under paragraph (a) (i) of this Section, one-half of one percent (1/2%) below the Industrial Rediscount Rate; or (ii) in the case envisaged under paragraph (a) (ii) of this Section, the Government Security Rate;

(c) review with the Association, any rate established in accordance with paragraphs (a) (i) and (b) (i) of this Section whenever the Industrial Rediscount Rate is modified, and adjust such rate, if necessary, so that it is acceptable to the Association;

(d) review with the Association any rate established in accordance with paragraphs (a) (ii) and (b) (ii) of this Section at least every twelve (12) months and adjust such rate, if necessary, in a manner acceptable to the Association; and

(e) exercise its rights under the Management 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, not assign, amend, abrogate or waive the Management Agreement or any provision thereof.

Section 3.03. The Borrower and the Association hereby agree that compliance with the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06 and 9.07 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, and maintenance respectively) in respect of Part A of the Project shall be ensured by BRB, pursuant to Section 2.04 of the Project Agreement.

Section 3.04. In order to carry out Part B of the Project, the Borrower shall:

(a) enter into a Cooperation Agreement with CCIB, with terms and conditions satisfactory to the Association, providing for the establishment of SEB within CCIB and the definition of SEB's staff and functions under the Project; and

(b) exercise its rights under the Cooperation 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, not assign, amend, abrogate or waive the Cooperation Agreement or any provision thereof.

Section 3.05. The Borrower shall, not later than June 30, 1990, submit to the Association the action program provided for in Part B (5) of the Project.

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 Part B of the Project of CCIB and the departments or agencies of the Borrower responsible for carrying out Part B of the Project.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section and 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 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.

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) BRB shall have failed to perform any of its obligations under the
Project Agreement, the Management Agreement or the Cooperation Agreement;

(b) 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 BRB will be able to perform its obligations under the Project
Agreement;

(c) the Statutes shall have been amended, suspended, abrogated, repealed or
waived so as to affect materially and adversely the operations or financial condition
of BRB or its ability to carry out the Project or to perform any of its obligations
under the Project Agreement; and

(d) the Borrower or any other authority having jurisdiction shall have taken
any action for the dissolution or disestablishment of BRB or CCIB or for the
suspension of the operations of any of them.

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 (a) 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 and BRB; and

(b) any event specified in paragraph (c) or (d) of Section 5.01 of this
Agreement shall occur.

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 Project Management Unit has been established;

(b) the Small Enterprise Bureau has been established;

(c) the Management Agreement has been entered into by the Borrower and BRB,
respectively;

(d) the Cooperation Agreement has been entered into by the Borrower and CCIB,
respectively; and

(e) at least one Participating Agreement has been entered into by BRB and any
of the Participating Financial Intermediaries, respectively.

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 BRB and is legally binding upon BRB in accordance with its terms;

(b) that the Management Agreement has been duly authorized or ratified by and is legally binding upon the Borrower and BRB in accordance with its terms; and

(c) that the Cooperation Agreement has been duly authorized or ratified by and is legally binding upon the Borrower and CCIB in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.04. The provisions of Section 5.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date thirty (30) years after the date of effectiveness of this Agreement, whichever shall be earlier.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Minister of the Borrower at the time responsible for industry 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 du Commerce, de l'Industrie
et de l'Artisanat
B.P. 492
Bujumbura
Republic of Burundi

Cable address:

MINICI
Bujumbura

Telex:

5117 MINICI BDI

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:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

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.

REPUBLIC OF BURUNDI

By /s/ Edouard Kadigiri

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) Goods and services financed by Sub-loans under Part A of the Project	5,100,000	100%
(2) Consultants' and experts' services, training under Part B of the Project	440,000	100%
(3) (a) salaries of personnel and operating costs of SEB	60,000	80%
(b) goods, supplies and vehicles of SEB	40,000	100% of foreign expenditures and 90% of local expenditures
(4) PFI Audits	40,000	50%
(5) Consultants' services for savings and credit cooperatives	3,000	100%
(6) Unallocated	17,000	
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TOTAL	5,700,000	

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; 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.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made:

(a) in respect of Category (4) above before January 1, 1990;

(b) in respect of any Sub-loan unless: (i) the relevant Participating Agreement has been entered into by BRB and the PFI concerned; and (ii) such Sub-loan has been made in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 2 to the Project Agreement; and

(c) in respect of payments made for expenditures prior to the date of this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (i) to support the development of small-scale enterprises in the Borrower's territory through the provision of financial resources and technical assistance services; (ii) to increase the participation of financial intermediaries in the financing of productive investments and to contribute to the decentralization of economic activity in the Borrower's territory; (iii) to strengthen the financial intermediaries' small-scale enterprise appraisal and supervision capabilities; (iv) to improve the efficiency of the Borrower's financial sector and the institutional framework of the small-scale enterprises; and (v) to generate new employment opportunities in the Borrower's territory.

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: Credit to Small-Scale Enterprise

The financing of specific Investment Projects through loans granted to Investment Enterprises by Participating Financial Intermediaries with the proceeds of the Credit onlent to them by BRB.

Part B: Assistance and Training

1. Carrying out, by the Chamber of Commerce, Industry, Agriculture and Handicraft of Burundi, acting through the Small Enterprise Bureau, of an Entrepreneurship Development Program for entrepreneurs willing to expand their enterprises or to start new ones.

2. Provision of technical support in small-scale project preparation and execution, including: (a) technical advice; (b) seminars; (c) promotional missions in the Borrower's territory; and (d) assistance in the preparation of feasibility studies and in discussions and negotiations.

3. Training of management and the staff of PFIs to strengthen their capabilities in the appraisal and supervision of Investment Projects.

4. Carrying out of PFIs audits.

5. Preparation of an action program, including appropriate legislation, aimed at bringing the savings and credit cooperatives into the Borrower's formal financial system and preparing them for accreditation under BRB.

* * *

The Project is expected to be completed by December 31, 1991.

SCHEDULE 3

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means disbursements by PFIs under Sub-loans and 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 SDR 300,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, 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 may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, 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) The Borrower shall furnish to the Association requests for replenishment of the Special Account at such intervals or in such minimum amounts as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made out of such 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 the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Association, prior to or at the time of such request, such documents other evidence as the Association shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Association when either of the following situations first arises:

(i) 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; or

(ii) the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus 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 be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) 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 any expenditure or in any 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, 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. No further deposit by the Association into the Special Account shall be made until the Borrower has made such deposit or refund.

(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 for crediting to the Credit Account.

