

CONFORMED COPY

CREDIT NUMBER 3299 BUR

Development Credit Agreement  
(Third Structural Adjustment Credit)

between

BURKINA FASO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 3, 1999

CREDIT NUMBER 3299 BUR

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated December 3, 1999, between BURKINA FASO (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received from the Borrower a letter dated November 5, 1999 describing a program of actions, objectives, and policies designed to achieve structural adjustment of the Borrower's economy (hereinafter called the Program), declaring the Borrower's commitment to the execution of the Program and requesting assistance from the Association in support of the Program during the execution thereof;

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

(C) on the basis, inter alia, of the foregoing, the Association has decided in support of the Program to provide such assistance to the Borrower by making the Credit as hereinafter provided; 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;

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 December 2, 1997), with the modifications thereof set forth below, (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 12, is modified to read:

"'Project' means the program, referred to in the Preamble to the Development Credit Agreement, in support of which the Credit is made."

(b) A new paragraph (c) is added to Section 3.04 to read: "If the Association shall at any time receive less than the full amount then due and payable to it under the Development Credit Agreement, the Association shall have the right to allocate and apply the amount so received in any manner and for such purposes under the Development Credit Agreement as the Association shall, in its sole discretion, determine."

(c) Section 4.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, withdrawals from the Credit Account shall be made in the currency of the deposit account specified in Section 2.02 of the Development Credit Agreement."

(d) Section 5.01 is modified to read:

"The Borrower shall be entitled to withdraw the proceeds of the Credit from the Credit Account in accordance with the provisions of the Development Credit Agreement and of these General Conditions."

(e) The last sentence of Section 5.03 is deleted.

(f) Section 9.06 (c) is modified to read:

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

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

(h) Section 11.01 is modified by replacing, in the second sentence, the word "radiogram" with the word "facsimile" and adding a new sentence at the end of said Section to read:

"Deliveries made by facsimile transmission shall also be confirmed by mail."

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

(a) "BCEAO" means the Banque Centrale des Etats de l'Afrique de l'Ouest, the common central bank of the Borrower and other members of the WAEMU (as hereinafter defined);

(b) "CFAF" means Franc de la Communauté Financière Africaine, the currency of the Borrower;

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

(d) "Fiscal Year" and "FY" mean the period from January 1 to December 31;

(e) "HIPC" means the Heavily Indebted Poor Countries initiative of the international community to reduce the debt burden of heavily indebted poor countries (HIPCs) to sustainable levels;

(f) "Maximum Tariff" means the sum of the customs duty (droit de douane), the fiscal duty on imports (droit fiscal sur l'importation), and the special intervention tax (taxe spéciale d'intervention), all as set forth in the Borrower's yearly budget law (loi des finances);

(g) "MTEF" means the Borrower's medium-term expenditure framework, limited to the education and health sectors for the Fiscal Year 2000 and the infrastructure sector for the Fiscal Year 2001;

(h) "SITC" means the Standard International Trade Classification, Revision 3 (SITC, Rev. 3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev. 3 (1986);

(i) "SYGASPE" means Système automatisé de la gestion administrative et salariale des personnels de l'Etat, an automated civil servants' salary management system and "WAEMU" means the West African Economic and Monetary Union, established by a treaty, dated January 10, 1994, among its member countries, namely, Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal, and Togo and adhered to by Guinea Bissau in May 1997.

## 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 eighteen million Special Drawing Rights (SDR 18,000,000).

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

(b) The Borrower shall open, prior to furnishing to the Association the first request for withdrawal from the Credit Account, and thereafter maintain in the Ouagadougou branch of the BCEAO, a deposit account in CFAF on terms and conditions satisfactory to the Association. All withdrawals from the Credit Account shall be deposited by the Association into the Deposit Account.

(c) The Borrower undertakes that the proceeds of the Credit shall not be used to finance expenditures excluded pursuant to the provisions of Schedule 1 to this Agreement. If the Association shall have determined at any time that any proceeds of the Credit shall have been used to make a payment for an expenditure so excluded, the Borrower shall, promptly upon notice from the Association, (i) deposit into the Deposit Account an amount equal to the amount of said payment, or (ii) if the Association shall so request, refund such amount to the Association. Amounts refunded to the Association upon such request shall be credited to the Credit Account for cancellation.

Section 2.03. The Closing Date shall be June 30, 2000 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 and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on February 1 and August 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c), and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 1 and August 1, commencing February 1, 2010 and ending August 1, 2039. Each installment to, and including the installment payable on, August 1, 2019 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by the Association of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the French Republic is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. The Director General of Cooperation at the Ministry of Economy and Finance 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

#### Particular Covenants

Section 3.01. (a) The Borrower and the Association shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program.

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

(c) Without limitation upon the provisions of paragraph (a) of this Section, the Borrower shall exchange views with the Association on any proposed action to be taken after the disbursement of the Credit which would have the effect of materially reversing the objectives of the Program or any action taken under the Program.

Section 3.02. Upon the Association's request, the Borrower shall:

(a) have the Deposit Account audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(b) furnish to the Association as soon as available, but in any case not later than six months after the date of the Association's request for such audit, 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

(c) furnish to the Association such other information concerning the Deposit Account and the audit thereof as the Association shall have reasonably requested.

#### ARTICLE IV

##### Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

#### ARTICLE V

##### Termination

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

#### ARTICLE VI

##### Representative of the Borrower; Addresses

Section 6.01. Except as provided in Section 2.09 of this Agreement, the Minister of the Borrower responsible for finance is designated as the representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

The Minister in charge of Finance  
Ministère de l'Economie et des Finances  
03 BP 7050  
Ouagadougou 03 / Burkina Faso

Cable address:

5555  
SEGEGOUV

Telex:

5555  
SEGEGOUV

Facsimile:

(226) 31-27-15

For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

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/ H.E. Bruno N. Zidouemba  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Hasan Tuluy  
Acting Regional Vice President  
Africa Region

#### SCHEDULE 1

##### Excluded Expenditures

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

1. expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;
2. expenditures for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association shall have financed or agreed to finance, or which the Bank or the Association shall have financed or agreed to finance under another credit or a loan;
3. expenditures for goods included in the following groups or subgroups of the SITC, or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Borrower:

Group	Subgroup	Description of Items
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured; tobacco refuse
122	-	Tobacco, manufactured (whether or not containing tobacco substitutes)

	525	-	Radioactive and associated materials
	667	-	Pearls, precious and semiprecious stones, unworked or worked
fuel for	718	718.7	Nuclear reactors, and parts thereof; elements (cartridges), non-irradiated, nuclear reactors
	728	728.43	Tobacco processing machinery
	897	897.3	Jewelry of gold, silver, or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
	971	-	Gold, non-monetary (excluding gold ores and concentrates)

4. expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;

5. expenditures for environmentally hazardous goods (for the purposes of this paragraph, the term "environmentally hazardous goods" means goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party;

6. expenditures (a) in the territories of any country which is not a member of the Bank or for goods procured in, or services supplied from, such territories; or (b) on account of any payment to persons or entities, or any import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; or

7. expenditures under a contract in respect of which the Association determines that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Credit during the procurement or execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Association to remedy the situation.

#### SCHEDULE 2

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

The Borrower has: obtained parliamentary approval to (i) reduce the Maximum Tariff rate from 25% to 20%, thereby furthering the implementation of the adoption of the WAEMU common external tariff; and (ii) reduce the statistical tax from 4% to 1%; obtained parliamentary approval, to reduce the corporate income tax rate from 40% to 35%; promulgated the Presidential Order (Ordonnance Présidentielle) No. 99-048/PRES, adopting program budgets (budget programmes) for the ministries of economy and finance, health, basic education and literacy, higher education and scientific research, defense and territorial administration and security; obtained parliamentary approval to introduce a withholding tax (i) at customs; and (ii) on purchases from wholesalers, while allowing such withholding tax to be deducted from the corporate income tax; completed the computerization of the tax offices in Kadiogo I and Houet I in accordance with paragraph 28 of the Program; issued terms of reference and recruited consultants, satisfactory to the Association, for the preparation of studies in the fields of education, health, financial decentralization, and the public investment program, all in the framework of the Borrower's public expenditure review;

released the action plan and timetable for the extension of the MTEF approach to all its key ministries to enable such ministries to adopt the MTEF approach by FY 2001, in accordance with paragraph 35 of the Program; submitted to the Audit Division of the Supreme Court (Chambre des Comptes de la Cour Suprême), for advice and transmission to

the Parliament, central government management accounts (Comptes de Gestion de l'Etat) for the FY 1993 and FY 1994 budgets, in accordance with paragraph 73 of the Program; implemented the SYGASPE payroll management system into its financial management system, in accordance with paragraph 36 of the Program; promulgated the law No. 051/98/AN, establishing the regulatory authority for the telecommunications sector (Article 65); and promulgated the Ministerial Decree No. 99-004/MCIA/SG/DGC, removing the ban on hide exports.

