

**CONFORMED COPY**

**CREDIT NUMBER 3476 BUR**

# **Project Agreement**

**(Ouagadougou Water Supply Project)**

**between**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**and**

**OFFICE NATIONAL DE L'EAU ET DE L'ASSAINISSEMENT**

**Dated May 7, 2001**

**CREDIT NUMBER 3476 BUR**

**PROJECT AGREEMENT**

AGREEMENT, dated May 7, 2001, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and OFFICE NATIONAL DE L'EAU ET DE L'ASSAINISSEMENT (ONEA).

WHEREAS (A) by the Development Credit Agreement of even date herewith between BURKINA FASO (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to fifty-five million Special Drawing Rights (SDR 55,000,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that ONEA agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a Project Agreement entered into between the Borrower and ONEA, ONEA has agreed to carry out the Project on the terms and conditions set forth in said Project Agreement; and

WHEREAS ONEA, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

**ARTICLE I**

**Definitions**

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

## ARTICLE II

### Execution of the Project

Section 2.01. (a) ONEA declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, technical, financial, management and environmental practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. ONEA shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement.

Section 2.04. (a) ONEA shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of its obligations under this Agreement and other matters relating to the purposes of the Credit.

(b) ONEA shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by ONEA of its obligations under this Agreement.

Section 2.05. ONEA shall: (a) carry out, in conjunction with the Borrower and the Association, the annual review and the mid-term review respectively, referred to in paragraphs 5 and 7 of Schedule 2 to this Agreement; and (b)

promptly after completing such reviews, carry out recommendations arising out of said reviews, with due diligence and efficiency and in accordance with appropriate practices.

Section 2.06. ONEA shall furnish to the Borrower and the Association, for review and approval:

(a) before the beginning of each Project Fiscal Year, a proposed annual work program, in respect of the Project, including a proposed budget and financing plan, for the forthcoming Fiscal Year; and

(b) semiannual and annual progress reports on the status of the Project, including feedback received from water sector users.

Section 2.07. ONEA shall:

(a) open and maintain, until the completion of the Project, a Project Account, on terms and conditions satisfactory to the Association;

(b) deposit into the Project Account the Initial Deposit and thereafter, at semiannual intervals, deposit into the Project Account such amounts as are estimated to be required for the ensuing six-month period and as shall be agreed upon between the Borrower and the Association; and

(c) ensure that the amounts deposited into the Project Account in accordance with paragraph (b) of this Section shall be used exclusively for expenditures under the Project not otherwise financed from the proceeds of the Credit.

### **ARTICLE III**

#### **Management and Operations of ONEA**

Section 3.01. ONEA shall carry on its operations and conduct its affairs in accordance with sound administrative, technical, financial, environmental and management practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. ONEA shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and environmental practices.

Section 3.03. ONEA shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

## **ARTICLE IV**

### **Financial Covenants**

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

- (b) ONEA shall:
  - (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) 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 (6) months after the end of each such Fiscal Year: (A) certified copies of its financial statements for such year as so audited; and (B) 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 financial statements as well as the audit thereof, as the Association shall from time to time reasonably request.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, ONEA shall carry out a time-bound action plan acceptable to the Association for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable MOZ, not later than 18 months after the Effective Date, or such later date as the Association shall agree, to prepare quarterly Project management reports, acceptable to the Association, each of which:

- (i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;
- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, ONEA shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

## **ARTICLE V**

### **Effective Date; Termination; Cancellation and Suspension**

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of ONEA thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date 15 years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify ONEA of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

**ARTICLE VI**

**Miscellaneous Provisions**

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or facsimile to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association:

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

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

For ONEA:

Secteur 9 – Face Stade du 4 août  
01 BP 170 Ouagadougou 01  
Burkina Faso

Facsimile:

(226) 34 33 97

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of ONEA, or by ONEA on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by the Chairman of the Board of ONEA or such other person or persons as the Chairman of the Board of ONEA shall designate in writing, and ONEA shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Callisto Madavo  
Regional Vice President  
Africa

OFFICE NATIONAL DE L'EAU ET DE  
L'ASSAINISSEMENT



By

/s/ Bruno Zidouemba  
Authorized Representative

## **SCHEDULE 1**

### **Procurement and Consultants' Services**

#### Section I. Procurement of Goods and Works

##### Part A: General

1. Goods and works shall be procured in accordance with: (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines); and (b) the provisions of the following Parts of this Section I.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

##### 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.

(a) Prequalification

For contracts for works estimated to cost \$5,000,000 equivalent or more shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(b) Grouping of contracts

To the extent practicable, contracts for works and goods shall be grouped in bid packages estimated to cost, respectively, \$500,000 and \$100,000 equivalent or more each.

(c) Preference for domestically manufactured goods

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.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Works estimated to cost \$500,000 equivalent or less per contract, up to \$4,000,000 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. Direct contracting

For standardization purposes and to ensure continuity of an operational software to be used by the private sector operator, software up to \$330,000 equivalent or less in the aggregate, may be procured under a contract awarded on a direct contracting basis in accordance with the provisions of paragraph 3.7 of the Guidelines.

Part D: 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 each contract for works estimated to cost the equivalent of \$500,000 or more, and for goods estimated to cost the equivalent of \$100,000 or

more, the procedures 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

Part A: General

1. Consultants' services shall be procured in accordance with: (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines), and (b) the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the reference to "Bank Member Countries" and "Member Country" shall be deemed to be references, respectively to "Participating Countries" and "Participating Country".

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services, estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for financial audits of standard nature and supervision work, estimated to cost less than \$50,000 equivalent per contract, up to \$390,000 equivalent or less in the aggregate, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Individual Consultants

Services for technical audits that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants up to \$300,000 equivalent or less in the aggregate, in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 and (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

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 Consultant Guidelines shall apply.

## **SCHEDULE 2**

### **Implementation Program**

1. ONEA shall carry out the Project in accordance with the Project Execution Manual and, except as the Association shall otherwise agree, ONEA shall not amend, abrogate or waive any provision thereof if, in the opinion of the Association, such amendment, abrogation or waiver may materially and adversely affect the implementation of the Project.

2. (a) ONEA shall, not later than October 31 of each year, prepare and furnish to the Association an annual work plan and budget. Each year, the Borrower and the Association shall discuss the annual work plan and budget, and, after incorporating the comments of the Association, the Borrower shall, not later than December 31, approve the annual work plan and budget.

(b) Without limitation upon the provisions of paragraph (a) above, the annual work plan and budget shall also include all activities to mitigate and compensate for the environmental damages identified in the environmental impact assessment.

3. ONEA shall maintain, until the completion of the Project, the MOZ. The MOZ shall be assisted by a number of key staff, appointed in accordance with the provisions of Section II of Schedule 1 to this Agreement, including a Project director, financial and administrative director, a technical director and an accountant. The MOZ shall be responsible for: (i) overall coordination regarding the implementation of the Project, (ii) the consolidation of annual work programs and budgets, (iii) the setting-up and implementation of a monitoring and evaluation system, and (iv) the financial and administrative management of the Project.

4. (a) ONEA shall carry out, jointly with the Borrower and the Association, twice a year, a comprehensive project implementation review aimed at: (i) documenting progress toward objectives; (ii) identifying and resolving obstacles to Project implementation; and (iii) adjusting, in agreement with the Association, targets and corresponding programs to reflect progress achieved in the implementation of the Project as of the date of the review, and ensuring responsiveness to changes to effectively achieve the objectives of the Project.

(b) ONEA shall, not later than four weeks prior to the review referred to in (a) above, furnish to the Association, through the Borrower, a report, in such detail as the Association shall reasonably request, including an evaluation of the progress achieved in Project implementation.



(c) Promptly after completing such reviews, ONEA shall carry out recommendations arising out of said reviews, with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon.

5. ONEA shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 3 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about March 31, June 30, September 30 and December 31, a report integrating the results of the monitoring and evaluation activities performed pursuant to the above paragraph (a), on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting 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, jointly with the Borrower and the Association, by not later than April 30, July 31, October 31 and January 31, the Association shall request, the report referred to in the above paragraph (b), and thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

6. ONEA shall:

(a) take all necessary measures to invite the other donors co-financing the Project to a midterm review of the progress made in carrying out the Project under terms of reference agreed with the Association not later than April 30, 2004;

(b) at least four weeks prior to the midterm review, furnish to the Association, through the Borrower, a separate report describing the status of implementation of the Project and a summary report of Project implementation generally; and

(c) not later than four weeks after the midterm review, prepare an action program, acceptable to the Association, for the further implementation of the Project having regard to the findings of the midterm review and, thereafter, implement such action program.

7. ONEA shall:

(a) prepare in each year in sufficient time ahead of the preparation of the operating budget of the Borrower and its agencies, but in any event not later than June 30, a forecast of water sales for the next year, based on the consumption of the preceding 12 months and likely tariff increase, so that realistic amounts can be included in the budget of the Borrower and its agencies;

(b) prepare in each year, but in any event, not later than June 30, a report comparing the amount of water bills of the Borrower and its agencies for the preceding year with payments received; and

(c) in case of arrears, submit these arrears, to the Borrower and its agencies for their acknowledgement and payment.

8. ONEA shall:

(a) prepare not later than June 30 of each Fiscal Year: (i) a tariff increase proposal so as to allow ONEA to reach Financial Equilibrium not later than December 31, 2006; and (ii) an action plan to reduce its operating expenses;

(b) furnish said proposal to the Borrower and the Association for their review and comments; and

(c) thereafter, implement an action plan, as determined in agreement with the Borrower and the Association, to take effect as of January 1 of the next year.

9. ONEA shall take all necessary measures so that its accounts receivable from water sales to private customers and standpipes are less than four months of corresponding sales by December 31, 2004.

10. ONEA shall: (a) appoint a technical auditor whose qualifications and terms of reference are acceptable to the Association to review twice a year the implementation of the Performance Agreement and the Service Contract; (b)

forward to the Association the reports prepared by the technical auditor pursuant to said review; and (c) promptly thereafter, take all necessary remedial actions.

### **SCHEDULE 3**

#### **Monitoring and Performance Indicators**

*Increase reliability of water supply in Ouagadougou by developing storage facility and transmission capacity.*

(24 hours per day until 2007)

*Increase coverage by extending secondary and tertiary distribution networks and providing social connections.*

Population connected to the water network (from 300,000 inhabitants in 2000 to 800,000 inhabitants in 2007)

*Improve the capacity of ONEA to manage the rapid change in scope of the water services by contracting out commercial operations and financial management.*

Recovery rate from private customers (from 86% to 92% on December 31, 2004 and to 95% on December 31, 2006)

Accounts receivables in days of private customers (4 months) (from 160 days to less than 120 days on December 31, 2004 and to less than 90 days on December 31, 2006)

Productivity of commercial staff (from 186 to 230 in Ouagadougou on December 31, 2006)

Financial statements prepared according to international standards (on time and certified for year 2002 and after)

*Increased reliability water production in Ouagadougou, expanded and more accessible network.*

5,400 m<sup>3</sup> of new storage capacity

210 km of secondary networks and 1200 km of tertiary network

*Increased number of connections and improved access to standposts*

Number of new connections installed (45,000)

Number of new standposts (400)

*Improved management of commercial operations and strengthened financial capacity*

Average time between meter reading and invoicing (from 30 days to 15 days on December 31, 2004 and after)

Metered consumption increased (from over 90% to over 95% on December 31, 2004 and after)

Computerized administrative system for billing, collection, receivables, complaints tracking and accounting in place on December 31, 2003

New connection policy and procedures in place on December 31, 2002

Inventory management program in place on January 31, 2003

Computerized cost accounting system in place on January 31, 2003

Financial management information system in place on June 30, 2002

Training program developed and implemented on June 30, 2002