

CONFORMED

December 29, 2010

His Excellency Lucien Marie Noël Bembamba
Minister of Economy and Finance
Ministry of Economy and Finance
03 BP 7050, Ouagadougou 03
Burkina Faso

Excellency:

**BURKINA FASO: Credit No. 3733-BUR and Grant No. H022-BUR
(Competitiveness and Enterprise Development Project)
Amendment to the Development Financing Agreement**

We refer to the Development Financing Agreement (the Agreement), dated March 19, 2003, for the above-mentioned Project, between Burkina Faso (the Recipient) and the International Development Association (the Association). We also refer to your letters respectively no. 10-704/MEF/SG/DGCOOP/DCM/ek, dated March 19, 2010, and no. 10-2865/MEF/SG/DGCOOP/DCM/ek, dated November 22, 2010, requesting: (i) an extension of the closing date, and (a) a reallocation of funds of the Financing among disbursement categories in order to enable the Recipient to carry out activities under the Project which better reflect the Recipient's current strategy.

We are pleased to inform you that the Association accedes to your request and proposes to amend the Agreement as follows:

1. The following definition is added in Section 1.02 in the alphabetical order, and all following definitions are renumbered accordingly:

“(q) “MEBF Part of the Project” means the part of the Project to be carried out by MEBF, including collectively Part A.1(d), Part A.2(b)(iv), Part A.2(c), Part B.1(d)(iii) and Part B.2 of the Project.”
2. Section 2.03 of the Agreement is amended to read as follows:

“Section 2.03. The Closing Date shall be December 31, 2013 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.”
3. Please note that in accordance with Section 3.7 of the World Bank Disbursement Guidelines for Projects (May 2006) (the “Disbursement Guidelines”), the Financing disbursement deadline date is extended four months after the Closing Date. The Association will accept applications for withdrawal and supporting documentation until the Disbursement Deadline Date provided, however, that such applications are related to the financing of Eligible Expenditures incurred on or before the Closing Date, in accordance with Section 3.6 of the Disbursement Guidelines.
4. Section 3.01 of the Agreement is amended to read as follows:

“Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall cause MEBF to: (i) carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, business, financial, engineering and technical practices, and (ii) perform, in accordance with the provisions of the Project Agreement and Schedule 4 to this Agreement, all the obligations of MEBF therein set forth; (iii) take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable MEBF to perform such obligations; and (iv) not take or permit to be taken any action which would prevent or interfere with such performance.

(b) For the purposes of carrying out the Project, the Borrower shall make available to MEBF the proceeds of the Financing which remain available for disbursement as of the date hereof, under a Subsidiary Grant Agreement to be entered into between the Borrower and MEBF, under terms and conditions which shall have been approved by the Association.

(c) The Borrower shall exercise its rights under the Subsidiary Grant Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the objectives of the Project, and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Grant Agreement or any provision thereof.”

5. Schedule 1 (Withdrawal of the Proceeds of the Financing) is amended to read as set forth in Annex 1 attached to this letter.
6. Schedule 2 (Description of the Project) is amended to read as set forth in Annex 2 attached to this letter.
7. In Schedule 4 (Implementation Program), Section I.1 and Section II.1 and 2 are deleted in their entirety.
8. In Schedule 5 (Special Accounts) of the Agreement, paragraph 1(a) is amended to read as follows:

“ (a) the term “eligible Categories” means Categories 1, 2 (a), 3 (a), 4 (a) and 6 (a) set forth in the table in Paragraph 1 of Schedule 1 to this Agreement in respect of Special Account A; Categories 2 (c), 3 (c), 4 (c) and 6 (c) set forth in the table in Paragraph 1 of Schedule 1 to this Agreement in respect of Special Account B; Categories 2 (b), 3 (b), 4 (b), 5 and 6 (b) set forth in the table in Paragraph 1 of Schedule 1 to this Agreement in respect of Special Account C.”
9. In Schedule 5 (Special Accounts) of the Agreement, paragraph 1(c) is amended to read as follows:

“(c) the term “Authorized Allocation” means an amount equivalent to FCFA 1,500,000,000 in respect of Special Account A; an amount equivalent to FCFA 150,000,000 in respect of Special Account B; an amount equivalent to FCFA 350,000,000 in respect of Special Account C; an amount equivalent to FCFA 500,000,000 in respect of Special Account D, to be withdrawn from the

Financing Accounts and deposited into the Special Accounts pursuant to Paragraph 3(a) of this Schedule, provided, however, that (...)."

The remaining part of paragraph (c) remains unchanged.

The indicators related to SONABEL are to be revised. Instead of: "Request for proposals (RFP) launched for SONABEL" by project end, the new indicators are as follows: Improvement in SONABEL management ratios (Improved bill collection rate from 95% to 98% at project end and Reduced connection delays from 14 days to 5 days at project end).

All other provisions of the Agreement except as amended herein, shall remain in full force and effect.

Please confirm your agreement to the amendment by countersigning, dating and returning to us the enclosed copy of this letter, while keeping one original for your records.

This amendment shall become effective as of the date of countersignature of this letter.

Sincerely,

//s// Ousmane Haidara Diadie
f/Madani M. Tall
Country Director for Burkina Faso
Africa Region

AGREED:

BURKINA FASO

By: //S// Lucien Marie Noël Bembamba
Lucien Marie Noël Bembamba
Minister of Economy and Finance

Date: December 29, 2010

Cleared by and bcc: H. Bertaud (LEGAF); W. Chadab (CTRFC)

Bcc: D. Issa (AFTFW); M. Tall, (AFCF2); J. Businger(AFCCI);

Annex 1**Amendment to Schedule 1 to the Agreement**

Schedule 1 is amended to read as follows:

SCHEDULE 1
Withdrawal of the Proceeds of the Financing

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Civil works under Part B.2 (a) of the Project	1,310,000		100%
(2) Goods			100%
(a) Under Parts A, B.1 and C of the Project	3,620,0000		
(b) Under Part B.2 (a) of the Project	360,000		
(c) Under Part B.3 of the Project		115,000	
(3) Consultants' services, and audit fees			100%
(a) Under Parts A, B.1 and C of the Project	6,985,000		
(b) Under Part B.2 (a) of the Project	440,000		
(c) Under Part B.3 of the Project		85,000	

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(4) Training and Workshops			100%
(a) Under Parts A, B.1 and C of the Project	1,410,000		
(b) Under Part B.2 (a) of the Project	170,000		
(c) Under Part B.3 of the Project		205,000	
(5) Matching Grants under Part B.2 (b) of the Project	1,010,000	3,500,000	100% of amounts disbursed
(6) Incremental Operating Costs			100%
(a) Under Parts A, B.1 and C of the Project	1,160,000		
(b) Under Part B.2 (a) of the Project	1,970,000		
(c) Under Part B.3 of the Project		195,000	
(7) Refunding of Project Preparation Advance	265,000		Amount due pursuant to Section 2.02 (c) of this Agreement
TOTAL	18,700,000	4,100,000	

Annex 2**Amendment to Schedule 2 to the Agreement**

Schedule 2 is amended to read as follows:

Annex 2**“SCHEDULE 2
Description of the Project**

The objective of the Project is to assist the Borrower to create conditions for improved competitiveness and more dynamic enterprise development.

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: Privatization and Utility Reform Component**1. Privatization**

Support for: (a) strategic planning and implementation of specific privatization transactions envisaged in the Borrower's privatization program, including the privatization of ONATEL and the introduction of private investor into SONABHY's shareholding; (b) carrying out of a privatization communication campaign; (c) strengthening of the PC to implement the Borrower's privatization policy; and (d) improvement of SONABEL's management and service delivery, including through the strengthening of its commercial function, its corporate governance and its human resource management.

2. Utility Reform

(a) Support to DGACM for streamlining the Civil Aeronautic Code.

(b) Support to Ministry of Energy for: (i) devising a new regulatory framework for the energy sector; (ii) establishing and building up the capacity of a regulatory body for the sector; (iii) opening the sector to private investors; and (iv) improving the management and monitoring system for mining concessions and titles granted to private operators, including through strengthening of the analysis of reports and financial statements produced by mining companies and the accreditation process to supervise mining companies, and the provision of technical assistance and equipment to the Recipient's National Bureau of Mining and Geology.

(c) Strengthening of the capacity of ARTEL to regulate the telecommunications sector, including by streamlining of the telecommunications regulatory framework and acquiring spectrum regulation equipment.

(d) Strengthening of the capacity of MPT to implement a rural telecommunications development strategy and to develop funding mechanisms to improve telecommunications access in rural areas.

(e) Support to DELGI for: (i) formulating and implementing policies for the development of ICT; and (ii) devising a legal framework for ICT.

Part B: Enterprise Development Component

1. Business Environment and institutional development

(a) Support to MOJ for: (i) educating magistrates and court administrators on the implementation of OHADA and business laws; (ii) strengthening the commercial courts; (iii) developing a mechanism for the referral of commercial court cases to arbitration, and establishing an arbitration center, including the preparation of arbitration rules, the provision of equipment and reference materials, the training of arbitrators and the holding of public outreach campaigns; and (iv) strengthening the capacity of the RCCM personnel and reorganizing and computerizing the RCCM filing system as well as ensuring the interconnection between the computerized filing systems of the RCCM and the Chamber of Commerce.

(b) Support to Ministry of Commerce for formulating policies for: (i) strengthening its capacity to increase its effectiveness through the provision of technical advisory services, training of its personnel and equipment; and (ii) promoting competitiveness and enterprise development in its various fields of responsibilities.

(c) Support to the Ministry of Energy and Mining for: (i) updating the mining sector legislation, (ii) staff training and equipment for the ministry and the laboratory, (iii) sector promotion, (iv) community development framework, and (v) the implementation of the extractive industries transparency initiative (EITI).

(d) Support to the investment climate reform team and investor council for: (i) formulating and making recommendations to appropriate bodies for implementation of measures aimed at improving the competitiveness of the Borrower's economy; (ii) defining and implementing policy proposals and an action plan for removing regulatory barriers to investment and streamlining procedures affecting enterprise registration and operation; and (iii) developing a monitoring and evaluation framework (including a base line and a sustainable management system) to measure the impact of the Recipient's investment promotion effort and TA to the Conseil Présidentiel pour l'Investissement (CPI) through peer learning and capacity building.

2. Enterprise Development Services

(a) Support to MEBF for: (i) building its capacity as an information and orientation center for entrepreneurs; and (ii) providing non-financial services to SMEs such as feasibility studies, technical and business plans, business and financial management, training and effective mobilization of resources.

(b) Support to MEBF for: (i) providing Matching Grants to Beneficiaries, particularly those with export orientation, for the following types of activities: (A) provision of expert consultancies to Beneficiaries by suppliers of business services; and (B) development and delivery of training courses for Beneficiaries by qualified trainers and training institutions; (ii) providing support to micro-entrepreneurs through the training and coaching; and (iii) organizing at least one national business competition by 2010 to foster entrepreneurship.

3. Microfinance

Support to regulatory agency, within the Ministry of Finance, and APIM-BF for: (i) improving the supervision of the microfinance sector; (ii) developing and implementing a national policy

and strategy for the financing of the rural sector and for SMEs development; and (iii) designing and implementing a program to strengthen capacity within the main segments of the microfinance industry.

Part C: Project Implementation and Audit Component

Provision of technical assistance and financing to the Project Coordination Unit to implement, coordinate, monitor, evaluate and audit the Project.

The Project is expected to be completed by June 30, 2013.”