

**CONFORMED COPY**

**GRANT NUMBER H249-BU**

# **Financing Agreement**

**(Economic Reform Support Grant)**

**between**

**REPUBLIC OF BURUNDI**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated August 24, 2006**

**GRANT NUMBER H249-BU**

**FINANCING AGREEMENT**

AGREEMENT dated August 24, 2006, entered into between REPUBLIC OF BURUNDI (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, *inter alia*, of: (a) the actions which the Recipient has already taken under the Program and which are described in Section I.B of the Schedule to this Agreement; and (b) the Recipient’s maintenance of an appropriate macroeconomic policy framework. The Recipient and the Association therefore hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

**ARTICLE II — FINANCING**

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to forty million four hundred thousand Special Drawing Rights (SDR 40,400,000) (“Grant”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with Section II of the Schedule to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Payment Dates are March 31 and September 30 in each year.
- 2.05. The Payment Currency is the Dollar.

**ARTICLE III — PROGRAM**

- 3.01. The Recipient declares its commitment to the Program and its implementation. To this end:
  - (a) the Recipient 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 and the actions specified in Section I of Schedule 1 to this Agreement;
  - (b) prior to each such exchange of views, the Recipient 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; and

- (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall exchange views with the Association on any proposed action to be taken after the disbursement of the Financing which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program, including any action specified in Section I of Schedule 1 to this Agreement.

#### **ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Event of Suspension consists of the following:

A situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

#### **ARTICLE V — EFFECTIVENESS**

- 5.01. The Additional Condition of Effectiveness consists of the following:

The Recipient has recruited an auditor, with qualifications, experience and terms of reference satisfactory to the Association, for purposes of the carrying out of an audit of the Recipient's June 2006 sale of a presidential aircraft to Delaware Corporation.

- 5.02. The Effectiveness Deadline is the date 90 days after the date of this Agreement.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

6.01. The Recipient's Representative is the minister at the time responsible for finance.

6.02. The Recipient's Address is:

Ministry of Finance  
P. O. Box 1830  
Bujumbura  
Burundi

Facsimile:

257-22-38-27

6.03. The Association's Address is:

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)

1-202-477-6391

AGREED in the District of Columbia, United States of America, as of the day and year first above written.

**REPUBLIC OF BURUNDI**

**By /s/ Antoine Ntamobwa**

**Authorized Representative**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By /s/ Pedro Alba**

**Authorized Representative**

## SCHEDULE

### Program Actions; Availability of Financing Proceeds

#### **Section I. Actions under the Program**

**A. Actions Taken under the Program.** The actions taken by the Recipient under the Program include the following:

1. Establishment of an interim integrated computerized financial management system, in form and substance satisfactory to the Association, and execution, in form and substance satisfactory to the Association, of the Recipient's 2006 budget on the basis of such system.
2. Adoption of an emergency action plan, in form and substance satisfactory to the Association, for purposes of improvement of competition and transparency in public procurement.
3. Submission to the National Assembly of the Recipient's draft 2006 budget law reflecting an increase, in form and substance satisfactory to the Association, in the proportion of public expenditure on pro-poor programs relative to total public expenditure, as compared with the Recipient's 2005 budget law.
4. Identification of pro-poor expenditure programs, including under the Debt Initiative for Heavily Indebted Poor Countries, as reflected, in form and substance satisfactory to the Association, in the Recipient's 2006 budget law, and tracked, in form and substance satisfactory to the Association, under the Recipient's budget and accounts classification system.
5. Enactment of a new insolvency law, in form and substance satisfactory to the Association.
6. Enactment of a law, in form and substance satisfactory to the Association, relating to the liberalization of prices in the Recipient's coffee sector, including producer-price setting and marketing.
7. Brought, in form and substance satisfactory to the Association, to the point of sale: (i) all of the Recipient's shares in *Aliment Composé Vitaminés* (Mixed Vitaminized Food); and (ii) 70 per cent of the Recipient's shares in *Office National Pharmaceutique* (National Pharmaceutical Board).
8. For the purposes of the preceding paragraph, the phrase "brought . . . to the point of sale" means: (i) carrying out of an evaluation of the concerned stocks on the basis, *inter alia*, of an evaluation of the assets and liabilities of the concerned enterprise; (ii) preparation of a prospectus for distribution to prospective buyers; (iii) solicitation of offers for the purchase of share capital; (iv) carrying out of an evaluation of any such offers and selection of successful bidders; and (v) issuance of invitation to the successful bidders to enter into good-faith negotiations.

**B. Actions to be Taken under the Program.** The actions to be taken by the Recipient under the Program include the following:

1. Production of a comprehensive and accurate quarterly budget execution report, in form and substance satisfactory to the Association, and based on the interim computerized integrated financial management information system (budget allocations, commitments, liquidations, payment orders, payments), commencing with that covering the first quarter of 2006.
2. Submission to the National Assembly of a revised public procurement law, in form and substance satisfactory to the Association.
3. Achievement of progress, in form and substance satisfactory to the Association, and as certified by an independent external audit, in implementation of the Recipient's strategy for the settlement of its arrears to the private sector, including banks.
4. Adoption of a three-year (2006-08) rolling action plan, in form and substance satisfactory to the Association, and including the following elements, for purposes of reform of the Recipient's coffee sector: (i) restructuring of sectoral debt; (ii) establishment of a legal, regulatory and institutional framework consistent with the liberalization and privatization of the sector; (iii) establishment of modalities for the management and financing of critical services in the sector, notably procurement of inputs, quality control, technical dissemination and advice, research and road rehabilitation and maintenance; (iv) elaboration of a strategy for privatization of the Recipient's assets in the sector (washing stations and factories managed by *Société de Déparchage et de Conditionnement du Café* (Coffee Curing and Packing Company)); and (v) appropriate accompanying measures, notably a social plan in the event of layoffs, institutional support and capacity building.
5. Re-launch, in form and substance satisfactory to the Association, of the bidding process for: (i) the sale of all of *Office du Café du Burundi* (Coffee Board of Burundi)'s assets in sectors other than coffee; and (ii) of all of its shares in *Société Hôtelière Nouvelle du Burundi* (New Hotelier Company of Burundi).
6. For the purposes of the preceding paragraph, the phrase "initiation . . . of the bidding process for the sale" means: (i) carrying out of an evaluation of the concerned stocks on the basis, *inter alia*, of an evaluation of the assets and liabilities of the concerned enterprise; (ii) preparation of a prospectus for distribution to prospective buyers; and (iii) solicitation of offers for the purchase of share capital.

**Section II. Availability of Financing Proceeds**

- A. General.** The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.

- B. Allocation of Financing Amounts.** The Financing shall be withdrawn in two (2) tranches. The allocation of the amounts of the Financing to this end is set out in the table below:

<b>Allocations</b>	<b>Amount of the Financing Allocated (expressed in SDR)</b>
First Tranche	23,550,000
Second Tranche	16,850,000
<b>TOTAL AMOUNT</b>	<b>40,400,000</b>

**C. Tranche Release Conditions.**

1. No withdrawal shall be made of the Second Tranche unless the Association is satisfied, after an exchange of views as described in Sections 3.01 (a) and (b) of this Agreement, based on evidence satisfactory to the Association:
  - (a) with the progress achieved by the Recipient in carrying out the Program;
  - (b) that the macroeconomic policy framework of the Recipient is appropriate;
  - (c) that the actions described in Part B of Section I of this Schedule have been taken; and
  - (d) that the Recipient has published, in form and substance satisfactory to the Association, the results of the audit referred to in Section 5.01 of this Agreement, and has adopted a corresponding action plan, in form and substance satisfactory to the Association, for purposes of implementation of the recommendations of said audit.
2. If, after this exchange of views, the Association is not so satisfied, it may give notice to the Recipient to that effect and, if within 90 days after the notice, the Recipient has not taken steps satisfactory to the Association with respect to paragraphs 1, 2 and 3 above, then the Association may, by notice to the Recipient, cancel all or any part of the Un-withdrawn Financing Balance.

**D. Deposits of Financing Amounts.** Except as the Association may otherwise agree:

1. The Recipient shall open, prior to furnishing to the Association the first request for withdrawal from the Financing Account, and thereafter maintain the following two deposit accounts (“Deposit Accounts”) on terms and conditions satisfactory to the Association:
  - (a) a deposit account in Dollars (“Foreign Currency Deposit Account”); and



(b) a deposit account in Burundian Francs (“Local Currency Deposit Account”).

2. All withdrawals from the Financing Account shall be deposited by the Association into the Foreign Currency Deposit Account. Upon each deposit of an amount of the Financing into the Foreign Currency Deposit Account, the Recipient shall deposit an equivalent amount into the Local Currency Deposit Account.

**E. Audit.** The Recipient shall:

1. have both Deposit Accounts audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;
2. furnish to the Association as soon as available, but in any case not later than four months after the end of the Recipient’s fiscal year, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request; and
3. furnish to the Association such other information concerning the Deposit Accounts and their audit as the Association shall reasonably request.

**F. Excluded Expenditures.** The Recipient undertakes that the proceeds of the Financing shall not be used to finance Excluded Expenditures. If the Association determines at any time that an amount of the Financing was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the Association, refund an amount equal to the amount of such payment to the Association. Amounts refunded to the Association upon such request shall be cancelled.

**G. Closing Date.** The Closing Date is June 30, 2007.

## APPENDIX

### Section I. Definitions

1. “Burundian Franc” means the currency of the Recipient.
2. “Debt Initiative for Heavily Indebted Poor Countries” means the initiative launched by the Bank and the International Monetary Fund in 1996, the objective of which is to ensure deep, broad and fast debt relief in the poorest, most heavily indebted countries.
3. “Deposit Accounts” means both the Foreign Currency Deposit Account (as hereinafter defined) and the Local Currency Deposit Account (as hereinafter defined).
4. “Excluded Expenditure” means any expenditure:
  - (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Association or the Bank has financed or agreed to finance, or which the Association or the Bank has financed or agreed to finance under another Financing, credit, grant or loan;
  - (b) for goods included in the following groups or sub-groups of 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) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Recipient:

Group	Sub-group	Description of Item
112		Alcoholic beverages
121		Tobacco, un-manufactured, tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitutes)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, un-worked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for 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)

- (c) for goods intended for a military or paramilitary purpose or for luxury consumption;

- (d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party;
  - (e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
  - (f) under a contract with respect to which the Association determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Financing proceeds during the procurement or execution of such contract, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the Association to remedy the situation.
5. “Financing Agreement” includes all appendices, schedules and agreements supplemental to the Financing Agreement.
  6. “Foreign Currency Deposit Account” means the account referred to in Part D.1 (a) of Section II of the Schedule to this Agreement.
  7. “General Conditions” means the “International Development Association General Conditions for Financings”, dated July 1, 2005, with the modifications set forth in Section II of this Appendix.
  8. “Local Currency Deposit Account” means the account referred to in Part D.1 (b) of Section II of the Schedule to this Agreement.
  9. “Program” means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated June 26, 2006 from the Recipient to the Association declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution.
  10. “Second Tranche” means the amount of the Financing allocated to the category entitled “Second Tranche” in the table set forth in Part B of Section II of the Schedule to this Agreement.

## **Section II. Modifications to the General Conditions**

The modifications to the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005, are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.
2. Sections 2.04 (*Designated Accounts*) and 2.05 (*Eligible Expenditures*) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.

3. Sections 4.01 (*Project Execution Generally*), and 4.09 (*Financial Management; Financial Statements; Audits*) are deleted in their entirety, and the remaining Sections in Article IV are renumbered accordingly.
4. Paragraph (a) of Section 4.05 (renumbered as such pursuant to paragraph 3 above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.
5. Paragraph (c) of Section 4.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

“Section 4.06. *Plans; Documents; Records*

... (c) The Recipient shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Financing until two years after the Closing Date. The Recipient shall enable the Association’s representatives to examine such records.”

6. Section 4.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

“Section 4.07. *Program Monitoring and Evaluation*

... (c) The Recipient shall prepare, or cause to be prepared, and furnish to the Association not later than six months after the Closing Date, a report of such scope and in such detail as the Association shall reasonably request, on the execution of the Program, the performance by the Recipient and the Association of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Financing. ”

7. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

- (a) The definition of the term “Eligible Expenditure” is modified to read as follows:

“‘Eligible Expenditure’ means any use to which the Financing is put in support of the Program, other than to finance expenditures excluded pursuant to the Financing Agreement.”

- (b) The term “Financial Statements” and its definition as set forth in the Appendix are deleted in their entirety.

- (c) The term “Project” is modified to read “Program” and its definition is modified to read as follows:

“‘Program’ means the program referred to in the Financing Agreement in support of which the Financing is made.” All references to “Project” throughout these General Conditions are deemed to be references to “Program”.