

CONFORMED COPY

CREDIT NUMBER 4311-BUR

Financing Agreement

(Decentralized Urban Capacity Building Project)

between

BURKINA FASO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 22, 2007

CREDIT NUMBER 4311-BUR

FINANCING AGREEMENT

AGREEMENT dated June 22, 2007, entered into between BURKINA FASO (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”).

The Recipient and the Association 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 credit in an amount equivalent to six million seven hundred thousand Special Drawing Rights (SDR 6,700,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Un-withdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are May 1st and November 1st in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is the Euro.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

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

The Local Government Code, is amended, suspended, abrogated, repealed, or waived so as to affect materially and adversely the ability of the Recipient to perform any of its obligations under this Agreement.
- 4.02. The Additional Event of Acceleration consists of the following:

The event specified in Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) The Recipient has adopted the Project Implementation Manual, in form and substance satisfactory to the Association.
 - (b) The Recipient has appointed the General Manager (“*Directeur Général*”) of the Local Government Permanent Development Fund.
 - (c) The Recipient and the beneficiary municipalities have approved a model form of municipal contract (“*contrats de ville*”), in form and substance satisfactory to the Association, for purposes of clarifying the type of support to be provided by the Recipient or on its behalf to said municipalities and the type of commitment of those municipalities in terms of performance.
 - (d) The Recipient has recruited an external auditor, with terms of reference, qualifications, and experience satisfactory to the Association, to carry out the audit referred to in Section II.B.3 of Schedule 2 to this Agreement.
- 5.02. The Effectiveness Deadline is the date ninety (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:

Minister of Finance and Budget
Ministère des Finances et du Budget
03 B.P. 7050
Ouagadougou 03
Burkina Faso

Cable:	Telex:	Facsimile:
SEGEGOUV	5555	(226) 50-31-27-15

6.03. The Association's Address is:

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

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

AGREED at Ouagadougou, Burkina Faso, as of the day and year first above written.

BURKINA FASO

By /s/ Jean-Baptiste Marie Pascal Compaoré

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Ellen Goldstein

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to strengthen the delivery of urban services by the Recipient at municipal-level, particularly in the national capital of Ouagadougou and the regional capitals of Banfora, Bobo-Dioulasso, Kaya, Koudougou, and Ouahigouya.

The Project consists of the following parts:

Part 1. Municipal Support Program

Strengthening technical and financial capacity of the Selected Cities in programming, financing, delivery, and management of infrastructure and urban services, and similar limited activities in Recipient's other regional capitals and urban municipalities, including:

- (a) Strengthening programming and urban management capacity by providing urban planning and programming tools to municipalities and strengthening municipal technical and administrative staff capacity;
- (b) Strengthening financial resource mobilization capacity; and
- (c) Strengthening administrative and financial management capacity.

Part 2. Support to Urban Development Institutions and Stakeholders

Strengthening stakeholder capacity to support municipalities in service delivery, including:

- (a) Establishing sustainable transfer mechanisms to finance local investment financing;
- (b) Strengthening capacity for decentralized urban planning; and
- (c) Strengthening of national institutions and stakeholders involved in urban development.

Part 3. Project Management, Monitoring and Evaluation

Strengthening of Recipient capacity to coordinate and manage the Project and to monitor and evaluate the Project's performance.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

The Recipient shall maintain the following implementation arrangements, as further described in the Project Implementation Manual, throughout the implementation of the Project:

1. Ministry of Territorial Administration and Decentralization

The Ministry of Territorial Administration and Decentralization shall be responsible for coordination, management, and oversight of Project implementation.

2. Steering Committee

(a) The Recipient shall maintain, throughout Project implementation, a Steering Committee, chaired by the Minister of Economy and Development, with terms of reference, composition and resources satisfactory to the Association.

(b) Without limitation upon the provisions of subparagraph (a), the Steering Committee shall be responsible for: (i) ensuring coordination amongst the ministries, institutions, and municipalities involved in the implementation of the Project; (ii) providing overall Project oversight including through key policy guidance decision-making, approval of annual work programs, and periodic review of monitoring and evaluation activities; and (iii) ensuring communication with Project stakeholders. For that purpose, the Steering Committee shall meet at least quarterly.

3. Project Management Team

(a) The Recipient shall maintain, throughout Project implementation, under the Ministry of Territorial Administration and Decentralization, a Project management team with functions and resources satisfactory to the Association, including staff with terms of reference, qualifications and experience satisfactory to the Association, including at least: (i) a Project coordinator; (ii) a monitoring and evaluation specialist; and (iii) an assistant. The Recipient shall assign an accountant and a procurement specialist for the Project based at the Ministry of Territorial Administration and Decentralization's Directorate of Administration and Finance, each with qualifications and experience satisfactory to the Association.

- (b) Without limitation upon the provisions of subparagraph (a) of this Section, the Project Management Team shall be responsible for: (i) day to day Project implementation and coordination, including financial management, procurement, and monitoring and evaluation; (ii) municipal contract management monitoring; and (iii) implementation of Part 3 of the Project.

4. Government Agencies and Municipalities Association

The Government Agencies (Ministry of Finance and Budget, Ministry of Economy and Development, Ministry of Housing and Urban Planning, Ministry of Territorial Administration and Decentralization) and the Municipalities Association (“*Association des Municipalités du Burkina Faso*”), shall be responsible for the technical implementation of their respective activities in the field of urban and land management, local taxation, resources mobilization and support to local governments.

5. Municipalities

Municipalities shall be a party to the municipal contracts for the implementation of Municipality Support Programs, Priority Investment Programs, and Priority Maintenance Programs.

B. Manual

Except as the Association shall otherwise agree, the Recipient shall: (i) carry out the Project in accordance with the Project Implementation Manual; and (ii) shall not amend, abrogate, or waive, said Manual or any provision thereof, in a manner which, in the opinion of the Association, may materially or adversely affect Project implementation or achievement of its objective.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

- 1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association not later than 45 days after the end of the period covered by such report.
- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:

- (i) As of the Closing Date, the proportion of the municipal budget spent on infrastructure investments and maintenance is greater than 23 percent on average for the Selected Cities.
- (ii) As of the Closing Date, the combined municipal current revenues for the Selected Cities are at least 38 percent higher than their combined average municipal current revenues for 2003-2005.

B. Financial Management, Financial Reports and Audits

- 1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
- 2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than 45 days after the end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
- 3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

- 1. **Goods.** All goods required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
- 2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
- 3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) National Competitive Bidding
(b) Shopping
(c) Direct Contracting

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Least Cost Selection
(b) Selection Based on Consultants' Qualifications
(c) Single Source Selection
(d) Selection of Individual Consultants

D. Review by the Association of Procurement Decisions

- (a) Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) the first two (2) contracts for goods procured by each ministry on the basis of National Competitive Bidding; (b) each contract for goods estimated to cost the equivalent of \$200,000 or more; (c) each contract for goods procured on the basis of Direct Contracting; (d) the first two (2) contracts for consultants' services procured by each ministry other than the Ministry of Territorial Administration and Decentralization; (e) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more; (f) each contract for consultants' services provided by an individual consultant estimated to cost the equivalent of \$50,000 or more; and (g) each contract for consultants' services procured on the basis of Single Source Selection. All other contracts shall be subject to Post Review by the Association.
- (b) All training and workshop activities will be carried out on the basis of annual programs (identifying the general framework of the training activities for the year, including: (i) the type of training or workshop; (ii) the personnel to be trained; (iii) the institution which will conduct the training; (iv) the duration of the proposed training; and (v) the outcome and impact of the training submitted annually for the prior approval of the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to (a) repay the Project Preparation Advance in accordance with Section 2.07 of the General Conditions; and (b) finance 100% (exclusive of Taxes) of Eligible Expenditures.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR)	Percentage of Expenditures to be Financed (Inclusive of Taxes)
(1) Goods, Consultant's Services and Training for Part 1 of the Project	2,850,000	100
(2) Goods, Consultant's Services and Training for Part 2 of the Project	1,700,000	100
(3) Goods, Consultant's Services, Training and Audits for Part 3 of the Project	1,100,000	100
(4) Refund of Project Preparation Advance	450,000	Amount payable pursuant to Section 2.07 of the General Conditions
(5) Unallocated	600,000	
TOTAL AMOUNT	6,700,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals for Eligible Expenditures up to an aggregate amount not to exceed \$200,000 equivalent under Category (1) may be made for payments made prior to this date but on or after May 1st, 2007.
2. The Closing Date is January 31, 2013.

Section V. Other Undertakings

- (a) No later than three months after the Effective Date, the Recipient shall establish the Project Steering Committee, with terms of reference, composition and resources satisfactory to the Association.
- (b) The Recipient shall furnish to the Association as soon as available, but in any case no later than September 1 of each year, an annual work plan and budget for the Project for the following year, in form and substance satisfactory to the Association and of such scope and detail as the Association shall have reasonably requested, except for

the annual work plan and budget for 2008, which shall be furnished no later than October 1, 2007 or thirty (30) days after the Effective Date, whichever is later.

(c) (i) The Recipient shall, no later than September 30 of each year throughout Project implementation, furnish to the Association details of the allocation requested in the preparation of its Budget Law for the coming year for the financing of the Priority Investment Programs.

(ii) The Recipient shall ensure that the Local Government Permanent Development Fund provides to the municipalities party to a municipal contract the resources allocated to the financing of the Priority Investment Programs.

(d) No later than three months after the Effective Date, the Recipient shall adopt its Financial Code ("*Code de Financement*") of the Local Government Permanent Development Fund, in form and substance satisfactory to the Association.

(e) No later than thirty (30) months after the Effective date, or such later date as may be agreed upon by the Recipient and the Association, the Recipient and the Association shall carry out a mid term review of the Project, covering the progress achieved in the implementation of the Project. The Recipient shall prepare under terms of reference satisfactory to the Association, and furnish to the Association about three months prior to the beginning of such mid term review of the Project, a report integrating the results of the monitoring and evaluation activities performed pursuant to this Agreement, on the progress achieved in the carrying out of the Project during the period preceding the date of such report, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives of the Project during the period following such date.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (Expressed as a percentage)*
On each May 1 st and November 1 st :	
Commencing November 1 st , 2017 to and including May 1 st , 2027	1%
Commencing November 1 st , 2027 to and including May 1 st , 2047	2%

*The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

APPENDIX

Definitions

1. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
2. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
3. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
4. “Local Government Permanent Development Fund” means the Recipient’s *Fonds Permanent de Développement des Collectivités Territoriales* established by decree no. 2007-254/PRES/PM/MADT/MFB for the approval of the constitutive documents of the *Fonds Permanent de développement des Collectivités Territoriales* dated April 11, 2007.
5. “Local Government Code” means the Recipient’s code adopted by law no. 55-2004/AN dated December 21, 2004.
6. “Ministry of Economy and Development” means the Recipient’s ministry at the time responsible for development.
7. “Ministry of Finance and Budget” means the Recipient’s ministry at the time responsible for finance.
8. “Ministry of Housing and Urban Planning” means the Recipient’s ministry at the time responsible for urban planning.
9. “Ministry of Territorial Administration and Decentralization” means the Recipient’s ministry at the time responsible for decentralization.
10. “Municipal Support Program” means the program of a commune outlining its priority capacity building activities for a given fiscal year.
11. “Municipalities Association” (*Association des Municipalités du Burkina Faso*) means the apolitical association of the Recipient’s communes, established and operating pursuant to the Recipient’s laws, charged with the mission of supporting the development of sound local government administration.
12. “Priority Maintenance Program” means the program of a commune outlining its priority maintenance activities for a given fiscal year.

13. “Priority Investment Program” means the program of a commune outlining its priority investment activities for a given fiscal year.
14. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
15. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 12, 2007 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
16. “Project Implementation Manual” means the manual adopted by the Recipient, outlining implementation, organizational, administrative, monitoring and evaluation, environmental and social monitoring and mitigation, financial management, disbursement, and procurement arrangements, as shall have been agreed with the Association for purposes of Project implementation, as the same may be amended from time to time with the concurrence of the Association, and such term includes any schedules to the Project Implementation Manual.
17. “Project Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on September 9, 2005 and on behalf of the Recipient on October 3, 2005.
18. “Selected Cities” means collectively Ouagadougou, Banfora, Bobo-Dioulasso, Kaya, Koudougou et Ouahigouya.
19. “Training” means the training of persons involved in Project-supported activities, such term including seminars, workshops, and study tours, and costs associated with such activity include travel and subsistence costs for training participants, costs of securing the services of trainers, rental of training facilities, preparation and reproduction of training materials and other costs directly related to course preparation and implementation.