

Public Disclosure Authorized

OFFICIAL DOCUMENTS

CREDIT NUMBER 5939-BF
GRANT NUMBER D156-BF

Financing Agreement

(First Energy and Fiscal Management Development Policy Financing)

between

BURKINA FASO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated *December 21*, 2016

CREDIT NUMBER 5939-BF
GRANT NUMBER D156-BF

FINANCING AGREEMENT

AGREEMENT dated December 21, 2016, entered into between BURKINA FASO ("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 (i) the actions which the Recipient has already taken under the Program and which are described in Section I.A of Schedule 1 to this Agreement; and (ii) the Recipient's maintenance of an adequate macroeconomic policy framework. The Recipient and the Association therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- I.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- I.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 and a credit (collectively, "Financing") in the following amounts:
 - (a) an amount equivalent to thirty two million eight hundred thousand Special Drawing Rights (SDR 32,800,000) ("Grant"); and
 - (b) an amount equivalent to fifty million and three hundred thousand Euros (EUR 50,300,000) ("Credit").
- 2.02. The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with Section II of Schedule I 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

- 2.06. The Payment Dates are April 15th and October 15th in each year.
- 2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 2 to this Agreement.
- 2.08. The Payment Currency is Euro.
- 2.09. Without limitation upon the provisions of Section 4.08 of the General Conditions (renumbered as such pursuant to paragraph 3 of Section II of the Appendix to this Agreement and relating to *Cooperation and Consultation*), the Recipient shall promptly furnish to the Association such information relating to the provisions of this Article II as the Association may, from time to time, reasonably request.

ARTICLE III — PROGRAM

- 3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 4.08 of the General Conditions:
 - (a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient's macroeconomic policy framework and the progress achieved in carrying out the Program.
 - (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 promptly inform the Association of any situation that 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 I to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following, namely 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; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following, namely, the Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient's macroeconomic policy framework.

- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.03. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

6.02. The Recipient's Address is:

Ministry of Economy, Finance and Development
03 BP 7050
Ouagadougou 03
Burkina Faso

Telex: 5555 Facsimile: 226-25-31-27-15

6.03. The Association's Address is:

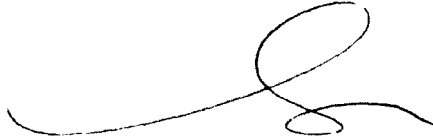
International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Telex: 248423(MCI) Facsimile: 1-202-477-6391

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

BURKINA FASO

By

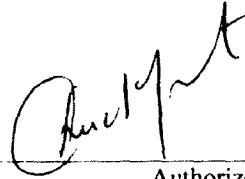


Authorized Representative

Name: Hadizatou Rosine Coulibaly/Sou
Title: Minister of Economy, Finance
and Development

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Cheick F. Kante
Title: Country Manager for
Burkina Faso

SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section 1. Actions under the Program

- A. The actions taken by the Recipient under the Program include the following:
1. The Recipient, SONABEL and SONABHY have entered into a tripartite agreement to clear arrears accumulated between the Recipient, SONABHY and SONABEL; with an implementation process that includes: (a) a one-time payment of CFAF 40 billion from SONABEL to clear part of the accrued arrears to SONABHY; (b) the conversion of the remaining CFAF 26.6 billion due by SONABEL to SONABHY into a debt to be repaid over ten years; and (c) clearance of the Recipient's arrears to SONABEL for electricity bills and compensation subsidies in the amount of CFAF 45.48 billion over the period of three years between 2017-2019.
 2. In order to improve the financial performance of SONABEL, the Recipient's ministries responsible for commerce; energy; and finance have approved an inter-ministerial decree that states the following: (a) ARSE shall review SONABEL's projections for each year's fuel prices; (b) the Recipient shall determine an annual subsidy cap limiting budget exposure, which triggers an electricity tariff revision implemented by SONABEL; and (c) the establishment of disbursement modalities aimed at ensuring timely disbursements of subsidies to SONABEL.
 3. In order to improve its revenues, SONABEL's Board of Directors has approved a Revenue Protection Program which provides for the use of smart meters that will strengthen the management of high-voltage and medium-voltage customers' accounts.
 4. In order to improve sector planning, the Council of Ministers of the Recipient has approved a strategy for the energy sector which sets the Recipient's priorities in said sector in terms of investments, energy diversification, and private sector participation over the period 2016-2020.
 5. In order to encourage private sector participation, the Ministry of Energy and Mines of the Recipient has appointed a technical expert responsible for providing assistance and advisory services on the preparation and negotiations of a revised PPP legal framework, including PPAs.
 6. In order to broaden the tax base, the Ministry of Economy, Finance and Development of the Recipient has improved the identification and monitoring of taxpayers by reconciling the DGI and DGD databases.

7. The Council of Ministers of the Recipient has: (a) strengthened the administrative process through the introduction of Garnishment Procedures in the Budget Law 2017; and (b) established a new flat tax of 0.2% on properties in urban areas in the revised Budget Law of 2016.
8. The Council of Ministers has approved a new procurement code and submitted it to the National Assembly for enactment.

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 is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing. The allocation of the amounts of the Financing to this end is set out in the table below:

Allocations	Amount of the Credit Allocated (expressed in EUR)	Amount of the Grant Allocated (expressed in SDR)
Single Withdrawal Tranche	50,300,000	32,800,000
TOTAL AMOUNT	50,300,000	32,800,000

C. Withdrawal Tranche Release Conditions

No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied: (a) with the Program being carried out by the Recipient; and (b) with the adequacy of the Recipient's macroeconomic policy framework.

- D. **Deposits of Financing Amounts.** Except as the Association may otherwise agree:
 1. all withdrawals from the Financing Account shall be deposited by the Association into an account designated by the Recipient and acceptable to the Association; and
 2. the Recipient shall ensure that upon each deposit of an amount of the Financing into this account, an equivalent amount is accounted for in the Recipient's budget management system, in a manner acceptable to the Association.

- E. 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.
- F. Closing Date.** The Closing Date is June 30, 2019.

SCHEDULE 2

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each April 15 th and October 15 th , commencing 2023 to and including 2054	1.5625%

* 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

Section I. Definitions

1. "ARSE" means the regulatory authority for the electricity sector, in the Recipient's territory (*Autorité de Régulation du Secteur de l'Electricité*).
2. "Budget Law of 2016" means the recipient's budget law which provides for the state's budgetary allocations and expenditures in the fiscal year of 2016, revised on August 1st, 2016 by virtue of a Council of Ministers Decree No. 2016, 695/PRES.
3. "Budget Law 2017" means the recipient's budget law which provides for the state's budgetary allocations and expenditures in the fiscal year of 2017, to be approved by the National Assembly.
4. "DGD" means the directorate general for customs in the Recipient's territory or any successor thereto.
5. "DGI" means the directorate general for tax administration in the Recipient's territory or any successor thereto.
6. "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 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, unworked 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) 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, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the Association to address such practices when they occur.
7. "Garnishment Procedures" means a tax administrative process requiring a third party, that owes money to a tax debtor, to instead pay the money to satisfy a debt to the tax administration. The third party is served with a garnishment to pay funds to the tax administration.

8. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010 with the modifications set forth in Section II of this Appendix.
9. "Ministry of Economy, Finance and Development" means the Recipient's ministry responsible for finance or any successor thereto.
10. "Ministry of Energy and Mines" means the Recipient's ministry responsible for energy or any successor thereto.
11. "National Assembly" means the Recipient's legislative arm, responsible for the enactment of laws in the Recipient's territory, following the Constitution and its internal procedures.
12. "PPA" means power purchase agreement, and "PPAs" means more than one power purchase agreement.
13. "PPP" means public private partnerships.
14. "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 November 21, 2016, 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.
15. "Single Withdrawal Tranche" means the amount of the Financing allocated to the category entitled "Single Withdrawal Tranche" in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
16. "SONABEL" means the state-owned electricity provider (*Société Nationale d'Electricité du Burkina Faso*).
17. "SONABHY" means the public oil importing company (*Société Nationale des Hydrocarbures*).
18. "Revenue Protection Program" means the Program to improve SONABEL revenue and approved by its Board of Directors through the resolution No. 001/MEMC/SG/SONABEL/CA, dated Sept 13, 2016.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified 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 subsequent 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. Paragraph (c) of 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".