

CONFORMED COPY

CREDIT NUMBER 3565 BUR

Development Credit Agreement
(Poverty Reduction Support Credit)

between

BURKINA FASO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 27, 2001

CREDIT NUMBER 3565 BUR

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 27, 2001, between BURKINA FASO (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Association has received a letter dated June 18, 2001, (the Letter of Development Policy) from the Borrower describing a program of actions, objectives and policies designed to eradicate poverty from the Borrower's territory (hereinafter called the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during the execution thereof;

(B) the Borrower has carried out the measures and taken the actions described in Schedule 2 to this Agreement to the satisfaction of the Association; and

(C) on the basis, inter alia, of the foregoing, the Association has decided in support of the Program to provide such assistance to the Borrower by making the Credit as hereinafter provided;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999), with the modifications thereof set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 12, is modified to read:

"'Project' means the program, referred to in the Preamble to the Development Credit Agreement, in support of which the Credit is made.";

(b) Section 4.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, withdrawals from the Credit Account shall be made in the currency of the deposit account specified in Section 2.02 of the Development Credit Agreement.";

(c) Section 5.01 is modified to read:

"The Borrower shall be entitled to withdraw the proceeds of the Credit from the Credit Account in accordance with the provisions of the Development Credit Agreement and of these General Conditions";

(d) The last sentence of Section 5.03 is deleted;

(e) Section 9.06 (c) is modified to read:

"(c) Not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution of the program referred to in the Preamble to the Development Credit Agreement, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit."; and

(f) Section 9.04 is deleted and Sections 9.05, 9.06 (as modified above), 9.07 and 9.08 are renumbered, respectively, Sections 9.04, 9.05, 9.06 and 9.07.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "AIDS" means the Acquired Immune Deficiency Syndrome;

(b) "CFAF" means Franc de la Communauté Financière Africaine, the currency of the Borrower;

(c) "Deposit Account" means the account referred to in Section 2.02 (b) of this Agreement;

(d) "Educational Policy Statement" means Déclaration de Politique Éducative, the Borrower's Educational Policy Statement, dated March 28, 2001;

(e) "Emergency HIV/AIDS/STI Plan" means the Borrower's Emergency HIV/AIDS/STI Plan for FY 2001;

(f) "Fiscal Year" and "FY" mean the period from January 1 to December 31;

(g) "Health Sector Development Program" means the Plan National de Développement Sanitaire, the Borrower's 10-year Health Sector Development Program, dated May 2001;

(h) "HIV" means the Human Immuno-Deficiency Virus;

(i) "Letter of Development Policy" means the Borrower's letter referred to in paragraph (A) of the Preamble to this Agreement;

(j) "MTEF" means the Borrower's medium-term expenditure framework;

(k) "National Health Policy Document" means the Document de Politique Sanitaire Nationale, the Borrower's National Health Policy Document, dated September 22, 2000;

(l) "National HIV/AIDS and Sexually Transmitted Infections Strategic Plan" means Cadre stratégique de lutte contre le VIH/SIDA et les IST (2001-2005), the Borrower's National HIV/AIDS and Sexually Transmitted Infections Strategic Plan, covering FY 2001-05, dated June 2001;

(m) "National Plan for Good Governance" means Plan National de Bonne Gouvernance, the Borrower's National Plan for Good Governance, dated October 23, 1999;

(n) "PRSP" means the Borrower's Poverty Reduction Strategy Paper, dated June 2000;

(o) "SITC" means 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); and

(p) "STI" means sexually transmitted infections.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to thirty-six million Special Drawing Rights (SDR 36,000,000).

Section 2.02. (a) Subject to the provisions of paragraphs (b) and (c) of this Section, the Borrower shall be entitled to withdraw the proceeds of the Credit from the Credit Account in support of the Program.

(b) The Borrower shall open, prior to furnishing to the Association the first request for withdrawal from the Credit Account, and thereafter maintain in BCEAO, a deposit account in CFAF on terms and conditions satisfactory to the Association. All withdrawals from the Credit Account shall be deposited by the Association into the Deposit Account.

(c) The Borrower undertakes that the proceeds of the Credit shall not be used to finance expenditures excluded pursuant to the provisions of Schedule 1 to this Agreement. If the Association shall have determined at any time that any proceeds of the Credit shall have been used to make a payment for an expenditure so excluded, the Borrower shall, promptly upon notice from the Association: (i) deposit into the Deposit Account an amount equal to the amount of said payment; or (ii) if the Association shall so request, refund such amount to the Association. Amounts refunded to the Association upon such request shall be credited to the Credit Account for cancellation.

Section 2.03. The Closing Date shall be June 30, 2002 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such

other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on May 1 and November 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each May 1 and November 1 commencing November 1, 2011 and ending May 1, 2041. Each installment to and including the installment payable on May 1, 2021, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by the Association of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the French Republic is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. The Director General of Cooperation at the Ministry of Economy and Finance is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

ARTICLE III

Particular Covenants

Section 3.01. (a) The Borrower undertakes to implement the Program with due diligence to ensure that actions and policies adopted under the Program are put into effect.

(b) The Borrower 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.

(c) Prior to each such exchange of views, the Borrower 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.

(d) Without limitation upon the provisions of paragraph (a) of this Section, the Borrower shall exchange views with the Association on any proposed action to be taken after the disbursement of the Credit which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program.

Section 3.02. Upon the Association's request, the Borrower shall:

(a) have the Deposit Account audited in accordance with appropriate auditing principles consistently applied by independent auditors acceptable to the Association;

(b) furnish to the Association as soon as available, but in any case not later than four months after the date of the Association's request for such audit, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(c) furnish to the Association such other information concerning the Deposit Account and the audit thereof as the Association shall have reasonably requested.

ARTICLE IV

Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out

ARTICLE V

Effective Date; Termination

Section 5.01. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. Except as provided in Section 2.09 of this Agreement, the Minister of the Borrower responsible for finance is designated as the representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

The Minister in charge of Finance
Ministère de l'Economie et des Finances

03 BP 7008
Ouagadougou 03
Burkina Faso

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

For the Association:

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)	(202) 477-6391

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.

BURKINA FASO

By /s/ Bruno N. Zidouemba

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Hans Binswanger

Acting Regional Vice President
Africa

SCHEDULE 1

Excluded Expenditures

For purposes of Section 2.02 (c) of this Agreement, the proceeds of the Credit shall not be used to finance any of the following expenditures:

1. expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;
2. expenditures for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association shall have financed or agreed to finance, or which the Bank or the Association shall have financed or agreed to finance under another credit or a loan;
3. expenditures for goods included in the following groups or subgroups 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 Borrower:

Group	Subgroup	Description of Items
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured, 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)

4. expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;

5. expenditures for environmentally hazardous goods (for purposes of this paragraph the term "environmentally hazardous goods" means goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party;

6. expenditures: (a) in the territories of any country which is not a member of the Bank or for goods procured in, or services supplied from, such territories; or (b) on account of any payment to persons or entities, or any import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

7. expenditures under a contract in respect of which the Association determines that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Credit during the procurement or execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Association to remedy the situation.

SCHEDULE 2

Program Actions Taken By the Borrower

The Borrower has:

(a) adopted the MTEF, satisfactory to the Association, and in accordance with the priorities set out in the PRSP, for FY 2000/01-2002/03-2003/04, as set out in paragraphs 19 to 22 of the Letter of Development Policy;

(b) submitted budget execution reports to the Borrower's Parliament for FY

1996, 1997 and 1998, in accordance with the provisions of paragraph 39 of the Letter of Development Policy;

(c) adopted a work program for the Executive Secretary in charge of Good Governance, in accordance with the provisions of paragraph 119 of the Letter of Development Policy;

(d) disseminated the National Plan for Good Governance, including the dissemination of such plan to all provincial authorities and the organization of several information workshops and seminars aimed at local authorities and civil society, in accordance with the provisions of paragraph 120 of the Letter of Development Policy;

(e) completed and released to the public the national accounts for FY 1994 through 1998;

(f) completed the study on the marginal tax rates per economic sector to provide a strong analytical basis for future policy measures favoring service delivery by the private sector, in accordance with the provisions of paragraph 96 of the Letter of Development Policy;

(g) adopted an action plan, for the recruitment of new teachers in accordance with the provisions of the Borrower's civil service reform program (1998 law on Government Reform), implementing the budgetary and organizational implications of said law as it pertains to the education sector, in accordance with the provisions of paragraphs 52 to 54 of the Letter of Development Policy;

(h) in accordance with the provisions of paragraphs 52 to 54 of the Letter of Development Policy, adopted and released the Educational Policy Statement, as well as an action plan for the purpose of:

(i) eliminating, as of September 1, 2001, the current automatic link between admittance to a teacher training college and civil service employment;

(ii) creating a new category of regional teachers not belonging to the Borrower's civil service, with a clearly defined status similar to that of teachers in community schools; and

(iii) expanding the community school program so that most teachers can henceforth be recruited as non-civil servants;

(i) adopted a new organization chart for the Ministry of Basic Education, in conformity with the Borrower's Education Policy Statement, in accordance with the provisions of paragraphs 52 to 54 of the Letter of Development Policy;

(j) adopted and implemented a plan to increase the efficacy of primary schooling by consolidating the system for promoting pupils from one grade to the next, limiting grade repeats, and introducing new pedagogical methods, in accordance with the provisions of paragraphs 52 to 54 of the Letter of Development Policy;

(k) adopted the National Health Policy Document and the Health Sector Development Program, in accordance with the provisions of paragraphs 55 to 60 of the Letter of Development Policy;

(l) adopted the FY 2001-05 National HIV/AIDS and Sexually Transmitted Infections Strategic Plan and the FY 2001 Emergency HIV/AIDS/STI Plan, in accordance with the provisions of paragraphs 55 to 60 of the Letter of Development Policy;

(m) completed the public expenditure review in the rural development sector, enabling the Borrower to assess benefit incidence, efficiency, and pro-poor targeting, in accordance with the provisions of paragraph 31 of the Letter of Development Policy;

(n) adopted laws providing for the splitting of the Borrower's Supreme Court into four independent institutions: "Cour des Comptes", State Council, Constitutional Council, and "Cour de Cassation", in accordance with the provisions of paragraphs 36 and 37 of the Letter of Development Policy; and

(o) adopted laws on the policy framework for water management, in accordance with the provisions of paragraphs 67 to 69 of the Letter of Development Policy.

