

CONFORMED COPY

**CREDIT NUMBER 4352-BUR
GRANT NUMBER H322-BUR**

Financing Agreement

(Seventh Poverty Reduction Support Credit)

between

BURKINA FASO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 24, 2007

FINANCING AGREEMENT

AGREEMENT dated July 24, 2007, 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: (a) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (b) the Recipient’s maintenance of an appropriate macro-economic 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 and a credit in the following amounts:
 - (a) an amount equivalent to forty four million three hundred and fifty thousand Special Drawing Rights (SDR 44,350,000) (“Grant”); and
 - (b) an amount equivalent to fourteen million seven hundred and fifty thousand Special Drawing Rights (SDR 14,750,000) (“Credit”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with Section II of Schedule 1 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are June 1 and December 1 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with repayment schedule set forth in Schedule 2 to this Agreement.
- 2.07. The Payment Currency is the Euro.

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;
 - (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.

- 4.02. The Additional Event of Acceleration consists of the following:

The event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. 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 of the Recipient at the time responsible for finance.

6.02. The Recipient's Address is:

Minister of Economy and Finance
 Ministère de l'Économie et des Finances
 03 BP 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/ Bepio C. Bado

Authorized Representative

SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions Taken under the Program

The actions taken by the Recipient under the Program include the following:

To improve the investment climate and promote exports

- (a) The Recipient has signed decision (*circulaire*) no. 425/MFB/CAB dated March 9, 2007 which establishes a new transitory value added tax (VAT) arrears reimbursement mechanism for exporting enterprises.
- (b) (i) The Recipient has improved its business climate by enacting law no. 029-2006/AN dated December 7, 2006 which launches a special operation for the issuing of land titles from December 15, 2006 to January 31, 2007 in Bobo Dioulasso and Ouagadougou, further extended to December 31, 2007 by the Budget Law for 2007, thereby simplifying property registration procedures and reducing the cost of transferring property; and (ii) its employment rigidity index (as defined in the Doing Business Report) has decreased from 84 in 2005 to 60 in 2006.
- (c) The Recipient has: (i) pursued the implementation of the pilot land tenure security program in its twenty six selected provinces, as evidenced by the registration of approximately 3,500 land properties in 2006; (ii) prepared a draft strategy for land tenure security in rural areas; and (iii) conducted consultations through 6 workshops on the draft strategy for land tenure security in rural areas, in preparation for the adoption of a general law on rural land tenure (*loi d'orientation sur le foncier en milieu rural*).

To improve access to basic social services through greater decentralization and strengthened institutional capacity

- (d) The Recipient has: (i) effectively implemented the activities described in its road map for the design and implementation of the National Framework Program for Potable Water Supply and Sanitation; (ii) allocated resources to the national agency for water and sanitation (*Office National des Eaux et de l'Assainissement*) for the expansion of its hygiene and sanitation program to the following four cities: Ouahigouya, Fada, Banfora, and Koudougou; and (iii) increased the budget of its General Directorate for Water Resources in support of the water and sanitation program.
- (e) To transfer responsibilities and resources to municipalities and regions, the Recipient has: (i) included in its Budget law for 2007 CFA Francs 6.8 billion for the local governments and the regions; (ii) established the institutions required to transfer financial resources to urban communities, and signed decree no. 2007-254/PRES/PM/MAED/MFB, dated April 11, 2007, for the establishment of the Investment Fund for Local Governments (*Fonds Permanent pour le Développement des Collectivités Territoriales*); (iii) signed Decree

no. 2006-209/PRES/PM/MATD/MFB/MEBA/MS/MASSN/MJE/MCAT/MSL, dated May 15, 2006 which clarified the responsibilities transferred to urban communities which include pre-school, primary school, health, culture, youth, sport and leisure; and (iv) enacted law no. 027-2006/AN dated December 5, 2006 creating the local civil service.

- (f) The Recipient has prepared the draft City Contracts (*Contrats de Ville*) which are expected to be entered into in 2007 between the Recipient and the following six main cities: Banfora, Bobo-Dioulasso, Kaya, Koudougou, Ouahigouya and Ouagadougou.

To promote efficiency, transparency and accountability in the use of public resources

- (g) The Recipient has adopted a draft Budget law for 2007 prepared on the basis of the sector ceilings of the 2007-2009 Medium-term expenditures framework and in line with the priorities of the Poverty Reduction Strategy Paper.
- (h) The Recipient has: (i) signed decree no. 2007-243/PRES/PM/MFB, dated May 9, 2007 for the creation of its Agency for Public Procurement (*Autorité de Régulation des Marchés Publics*); and (ii) signed decree no. 2007-267/PRES/PM/MFB dated May 14, 2007 on the organization of the Recipient's Ministry of Finance and Budget, including the establishment of its department in charge of procurement (*Direction Générale des Marchés Publics*), thereby implementing its action plan prepared on the basis of the conclusions of the Country Procurement Assessment and Review for 2005.
- (i) The Recipient has customized functional and social classifications in the budget management software with a marker to track functional expenditures and poverty-spending.
- (j) The Recipient has strengthened the capacity of audit institutions for public finance management, and its audit agency (*Inspection Générale des Finances*) was able to audit 24 procurement bids and 14 projects in 2006.

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 a single tranche. The allocation of the amounts of the Financing to this end is set out in the table below:

Allocations	Amount of the Financing Allocated (expressed in SDR)
Single Tranche	59,100,000
TOTAL AMOUNT	59,100,000

C. 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.

D. 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.

E. Closing Date. The Closing Date is June 30, 2008.

SCHEDULE 2**Repayment Schedule**

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each June 1 and December 1:	
commencing December 1, 2017 to and including June 1, 2027	1%
commencing December 1, 2027 to and including June 1, 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

Section I. Definitions

1. “CFA Francs” means the currency having legal tender in the African Financial Community.
2. “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.
3. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006) with the modifications set forth in Section II of this Appendix.
 4. “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 May 31, 2007 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.
 5. “Single Tranche” means the amount of the Financing allocated to the category entitled “Single Tranche” in the table set forth in Part B of Section II of Schedule 1 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 (as amended through October 15, 2006) 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”.