

CONFORMED COPY

CREDIT NUMBER 4355-BUR

Financing Agreement

(Energy Access Project)

between

BURKINA FASO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 30, 2007

CREDIT NUMBER 4355-BUR

FINANCING AGREEMENT

AGREEMENT dated August 30, 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 twenty five million six hundred thousand Special Drawing Rights (SDR 25,600,000) (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 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- 2.04 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 1st and December 1st in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the 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 objectives 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 — EFFECTIVENESS; TERMINATION

- 4.01. 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 updated its computerized information system for the financial management and procurement of the Project (including software customization, adoption of the Project's Manual of Financial, Accounting and Administrative Procedures in form and substance satisfactory to the Association, training in procurement and financial management, and short term assistance), in a manner satisfactory to the Association.
 - (c) 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.
 - (d) The Recipient has recruited the staff listed in (i) to (iii) below, and has caused the FDE to recruit the staff listed in (iv), each with terms of reference, qualifications, and experience satisfactory to the Association:
 - (i) an accountant for the UER;
 - (ii) a Management Controller for the UER;
 - (iii) an accountant for the DGCN; and
 - (iv) an accountant for the FDE.
 - (e) The Recipient has revised the attributions of the Power Sector Reform Implementing Unit, in form and substance satisfactory to the Association.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient's Representative is the Minister of the Recipient at the time responsible for finance.

5.02. The Recipient's Address is:

Minister of Economy and Finance
Ministry of Economy and Finance
03 BP 7050
Ouagadougou 03
Burkina Faso

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

5.03. 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 M. P. Compaoré**
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By **/s/ Pierre Joseph Kamano**
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to support the Recipient's efforts to increase access to, and use of, energy services to improve living conditions in selected rural, peri-urban and urban areas.

The Project consists of the following parts:

Part 1: Increasing Access to Electricity Services in the Urban, Peri-Urban and Rural Areas

- (a) Increasing access to electricity services through support to: (i) the rehabilitation, extension and intensification of SONABEL's grid; (ii) the construction of distribution lines; (iii) the upgrading of distribution networks and the expansion of access to additional communities; (iv) the interconnection of basic services and production units; (v) the development and implementation of promotional initiatives to reduce initial connection costs; and (vi) the promotion of energy savings by households;
- (b) Increasing access to electricity services in rural and remote areas through support to the FDE for the financing of investment in currently not electrified areas such as: (i) the connection of additional communities to the SONABEL grid; (ii) the construction of stand alone mini grids; (iii) the development of multi-functional platforms with small distribution networks; and (iv) pre-electrification of remote communities with solar kits; and
- (c) Improving information, education and communication on energy access, including through: (i) extensive information and promotional campaigns; (ii) demonstration workshops; and (iii) organization of focus groups involving consumers, cooperatives, private operators, non governmental organizations and other civil society groups.

Part 2: Wood-fuels Supply Management and Inter-fuel Substitution Initiatives

- (a) Supporting community-based wood-fuels supply management, through: (i) the implementation of sustainable community-based forest management systems; and (ii) the financing of equipment for the forestry services and the establishment of rural-based micro-enterprises, such as community-operated carbonization units,

agro-forestry processing units, apiculture, and economic diversification opportunities;

- (b) Supporting inter-fuel substitution initiatives, including: (i) support to private sector operators and non governmental organizations for the establishment of improved stove local production facilities, commercial distribution channels and marketing systems; and (ii) pilot activities for the development of the production of bio-fuels from agricultural residues; and
- (c) Supporting training and promotion campaigns on the advantages of sustainable wood-fuels management, possibilities of inter-fuel substitution, household economy gains in adopting alternative and efficient energy devices, and demonstration workshops for users.

Part 3: Institutional Strengthening, Capacity development and Harmonization

- (a) Strengthening institutions in the public sector, including SONABEL, FDE, the DGE, and the DGCN, through capacity building in planning, management, impact assessment, legal, regulatory and monitoring aspects, and the development of adequate taxation and pricing policies.
- (b) Developing capacity of energy service providers, including cooperatives, local communities, non governmental organizations and private sector small and medium size enterprises through: (i) support to the establishment of a diagnostic and business modules; and (ii) training activities to help remove barriers preventing the development and the sustainable utilization of renewable energy sources and technologies.
- (c) Supporting outreach, partnerships and harmonization, including through: (i) initiatives at the national, regional and global levels to attract financing to scale up energy access expansion on the Recipient's territory; and (ii) the preparation of a sector syndication prospectus to help the Recipient present its energy access expansion program to major donors and demonstrate its ability to effectively use financial resources available to the energy sector development.

SCHEDULE 2**Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements**

Under the supervision of the General Secretary of the Recipient's Ministry of Mines, Quarries and Energy (*Ministère des Mines, des Carrières, et de l'Énergie*), the Power Sector Reform Implementing Unit shall be responsible for the overall Project coordination, and all financial management (including accounting, financial reporting, internal control, disbursements, budget monitoring and control), procurement, data collection, monitoring and evaluation aspects of the Project.

The technical aspects of the Project's activities shall be implemented by SONABEL (Part 1 (a) of the Project), FDE (Parts 1 (b) and (c) of the Project), the DGCN (Part 2 (a) and (c)), and the DGE (Part 2 (b) and (c)). The DGE, the DGCN, SONABEL and FDE shall each implement its respective activities in Part 3 of the Project.

B. Subsidiary and Service Agreements

1. To facilitate the carrying out of the Part (1) (a) and selected activities of Part (3) of the Project, the Recipient shall make part of the proceeds of the Financing available to SONABEL under a subsidiary agreement ("Subsidiary Agreement") between the Recipient and SONABEL, under terms and conditions approved by the Association, which shall: (i) set out the legal basis for the transfer of funds from the Recipient to SONABEL, the services provided by SONABEL under the Project, and the ownership of the assets financed under Part (1)(a) of the Project; and (ii) include a clear description of the activities to be implemented and services to be rendered by SONABEL and SONABEL's obligation to comply with the Project Implementation Manual.
2. To facilitate the carrying out of the Part (1)(b) and (c) and selected activities of Part (3) of the Project, the Recipient shall enter into a service agreement with FDE ("Service Agreement") under terms and conditions approved by the Association, which shall include the submission by FDE no later than December 31 each year of an annual work program (including a budget) for the implementation of Part (1)(b) and (c) of the Project, to the Recipient for approval.

3. The Recipient shall exercise its rights under the Subsidiary Agreement and the Service Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement, the Service Agreement, or any of their respective provisions.

C. Manuals

Except as the Association shall otherwise agree, the Recipient shall: (i) carry out the Project in accordance with the Project Implementation Manual and the Project Manual of Financial, Accounting and Administrative Procedures; and (ii) shall not amend, abrogate, or waive, said Manuals or any provision thereof.

D. Safeguards

The Recipient shall implement the Project in accordance with the guidelines, procedures, timetables and other specifications set forth in the Environment and Social Management Framework and the Resettlement Policy Framework. Except as the Association shall agree in writing, the Recipient shall not abrogate, amend, repeal, suspend, waive or otherwise fail to enforce the provisions of the Environment and Social Management Framework and the Resettlement Policy Framework.

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 calendar semester, and shall be furnished to the Association not later than one month 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) 85,572 additional households have access to electricity provided by SONABEL;
 - (ii) 18,768 additional households have access to electricity services provided by the FDE;

- (iii) 528 additional education and health facilities have access to electricity services;
 - (iv) 450 additional administrative and recreational facilities have access to electricity services;
 - (v) 441,000 additional hectares of wood land are under community-based sustainable wood fuel supply management;
 - (vi) 250,000 additional improved wood and charcoal stoves have been disseminated;
 - (vii) 60 additional cooperatives and private sector enterprises provide energy services.
2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than October 31, 2013.

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. The Recipient shall prepare and furnish to the Association not later than forty five days after the end of each calendar semester, interim un-audited financial reports for the Project covering the semester, 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. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

Section III. Procurement

A. General

- 1. **Goods and Works.** All goods and works 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 and Works

- 1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
- 2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. 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 Consultant’s Qualifications
(c) Single Source Selection
(d) Selection of Individual Consultants
(e) Single Source Selection

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) each contract for works estimated to cost the equivalent of \$500,000 or more; (b) each contract for goods estimated to cost the equivalent of \$250,000 or more; (c) each contract for goods, works or non consulting services procured through Output-Based Procurement; (d) each contract (excluding those procured through Shopping) entered into between operator (who has been awarded an Output-Based contract) which was not selected on a competitive basis and a third party; (e) each contracts for goods and works procured on the basis of Direct Contracting; (f) the first two contracts for consultants’ services provided by a firm to be entered into by DGE, DGCN, FDE and SONABEL respectively, without the formal support of the UER; (g) each contract for consultants’ services provided by a firm estimated to cost the equivalent of \$100,000 or more; (h) each contract for consultants’ services provided by an individual estimated to cost the equivalent of \$50,000 or more; and (i) all contracts 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 activities will be carried out on the basis of annual programs (identifying the general framework of the Training activities for the year concerned, including: (i) the type of Training; (ii) the personnel to be trained; (iii) the institution which will conduct the training; (iv) the duration of the proposed Training; and (v) the expected outcome and impact of the Training submitted annually for the prior approval of the Association.

- (c) All terms of reference for Consultants’ services to be procured shall be subject to the Association’s prior review.

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 finance Eligible Expenditures as set forth in the table in paragraph 2 below.
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 Financing 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, works and consultants’ services for Parts (2), (3) and (1) (c) of the Project, including Audits, Training and Operating Costs	8,300,000	100%
(2) Goods, works and consultants’ services for Part (1)(a) of the Project	8,650,000	100%
(3) Goods, works and consultants’ services for Part 1(b) of the Project	8,650,000	100%
TOTAL AMOUNT	25,600,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement;
 - (b) under Category (2) until the Subsidiary Agreement has been executed on behalf of the Recipient and SONABEL, in form and substance satisfactory to the Association; or
 - (c) under Category (3) until:
 - (i) the Service Agreement, including a budgeted business plan covering the period 2008-2012, has been executed on behalf of the Recipient and FDE, in form and substance satisfactory to the Association; and
 - (ii) pursuant to the budget law, or another legal instrument in form and substance satisfactory to the Association, the FDE and the electricity cooperatives are exempted from the following taxes, referred to in the letter from the Recipient to the Association dated May 24, 2007, as from fiscal year 2008 and for a period at least equal to the duration of Project implementation:
 - (A) customs levies and taxes and value-added tax on imports of externally-financed investment materiel;
 - (B) registration and stamp duties, proportional business tax, and value-added tax on externally-financed capital works contracts; and
 - (C) value-added tax on invoices for SONABEL service provision to cooperatives and on operators' fees, as well as on consumption by cooperative members, but within lifeline category limitations.
2. The Closing Date is April 30, 2013.

Section V. Other Undertakings**A. *Mid-term review***

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.

B. *Annual work program*

No later than December 31 each year, the Recipient shall submit an annual work program (including a budget) in form and substance satisfactory to the Association, for the implementation of Part (1) (b) and (c) of the Project.

SCHEDULE 3**Repayment Schedule**

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each June 1 st and December 1 st	
commencing on December 1 st , 2017 to and including June 1 st , 2027	1%
commencing on December 1 st , 2027 to and including June 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. “DGCN” means the Recipient’s Conservation and Nature Directorate (*Direction Générale de la Conservation de la Nature*), established in the Recipient’s Ministry responsible for environment.
4. “DGE” means the Recipient’s Energy Directorate (*Direction Générale de l’Energie*), established in the Ministry of Mines, Quarries and Energy.
5. “Environmental and Social Management Framework” means the document entitled “*Cadre de Gestion des Impacts Environnementaux des Investissements Physiques pour le Projet d’Accroissement de l’Accès aux Energies au Burkina*” prepared by Geographic Department of Burkina at the request of the Recipient and dated February 2006.
6. “FDE” means the Recipient’s *Fonds du Développement de l’Electrification* established by decree no. 2003-089/PRES/PM/MCE dated February 19, 2003.
7. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.
8. “Ministry of Mines, Quarries and Energy” means the *Ministère des Mines, des Carrières, et de l’Energie*, the Recipient’s ministry responsible for energy.
9. “Operating Costs” means the incremental operating expenses incurred on account of the Project implementation, management and monitoring including rent for buildings; office, vehicles, office equipment and other operation and maintenance costs; water and electricity utilities, telephone, office supplies, bank charges, additional staff costs, travel and supervision costs, per diem, but excluding the salaries of officials and public servants of the Recipient’s civil service.
10. “Power Sector Reform Implementing Unit” or “UER” means the Recipient’s *Unité d’Exécution de la Réforme du Secteur de l’Energie* established by decision (*arrêté*) no. 04-114/MCE/SG dated September 8, 2004.

11. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004, and revised in October 2006.
12. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated June 14, 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.
13. “Project Implementation Manual” means the manual adopted by the Recipient, outlining implementation, organizational, administrative, monitoring and evaluation, environmental and social monitoring and mitigation arrangements, as shall have been agreed with the Association for purposes of Project implementation, and including a Project implementation plan satisfactory to the Association, 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.
14. “Project Manual of Financial, Accounting and Administrative Procedures” means the Recipient’s manual satisfactory to the Association, containing financial management, disbursement and procurement procedures (and including the standard bidding documents for Performance-Based Procurement, in form and substance satisfactory to the Association), and administrative procedures applicable to the Project, as such manual may be amended from time to time in agreement with the Association, and such term includes any schedule to the Project Manual of Financial and Administrative Procedures.
15. “Resettlement Policy Framework” means the document entitled “*Cadre de la Politique de Déplacements et de Compensation du Projet d’Accès aux Energies au Burkina*” prepared by the Geographic Department of Burkina at the request of the Recipient and dated February 2006.
16. “SONABEL” means la *Société Nationale d’Electricité du Burkina*, governed by its articles of incorporation (*Statuts*) approved by decree no. 2004-517/PRES/PM/MCE dated November 19, 2004.
17. “Service Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement between the Recipient and FDE.
18. “Subsidiary Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to SONABEL.

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.