

CONFORMED COPY

CREDIT NUMBER 3691 BUR

Development Credit Agreement

(Second Poverty Reduction Support Credit)

between

BURKINA FASO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 16, 2002

CREDIT NUMBER 3691 BUR

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 16, 2002, between BURKINA FASO (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Association has received a letter dated April 26, 2002 (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 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) “BCEAO” means *Banque Centrale des Etats de l’Afrique de l’Ouest*;
- (b) “CAMEG” means *Centrale d’Achat des Médicaments Essentiels Génériques*, a national generic drug company established and operating pursuant to the laws of the Borrower;
- (c) “CFAA” means the Country Financial Accountability Assessment conducted by the Borrower, the Association and other donors, dated December 2001;
- (d) “Deposit Account” means the account referred to in Section 2.02 (b) of this Agreement;
- (e) “Fiscal Year” and “FY” mean the period from January 1 to December 31;
- (f) “Letter of Development Policy” means the Borrower's letter referred to in paragraph (A) of the Preamble to this Agreement;
- (g) “MEBA” means *Ministère de l’Enseignement de Base et de l’Alphabétisation*, the Borrower’s ministry of basic education;
- (h) “MTEF” means the Borrower's medium-term expenditure framework;
- (i) “PRSP” means the Borrower’s Poverty Reduction Strategy Paper, dated June 2000, as updated and amended;
- (j) “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
- (k) “SOFITEX” means *Société des Fibres Textiles*, a state-owned cotton producing and manufacturing company established and operating pursuant to the laws of the Borrower.

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 twenty-eight million one hundred thousand Special Drawing Rights (SDR 28,100,000).

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 Euros 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, 2003 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 November 1 and May 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, 2012 and ending May 1, 2042. Each installment to and including the installment payable on May 1, 2022, 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 (b) 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 for 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/ Tertius Zongo

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Theodore O. Ahlers

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:

<u>Group</u>	<u>Subgroup</u>	<u>Description of Items</u>
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

(a) The Borrower has adopted a budget bill for 2002 based on ceilings set with reference to the 2002-2004 MTEF, satisfactory to the Association, and in accordance with the priorities set out in the PRSP, as set out in paragraph 68 of the Letter of Development Policy;

(b) the Borrower has adopted Program Budgets consistent with PRSP objectives in all Ministries, including the Ministry of Economy and Finance, the Ministry of Basic Education, the Ministry of Secondary, Tertiary Education and Scientific Research, the Ministry of Health, the Ministry of Agriculture, the Ministry of Territorial Administration and Decentralization and the Ministry of Justice and the Promotion of Human Rights, pursuant to the provisions of paragraph 68 of the Letter of Development Policy;

(c) the Presidential Decree No. 2002-110/PRES/PM/MEF, dated March 20, 2002, aimed at revising the procurement code has been enacted, pursuant to the provisions of paragraph 69 of the Letter of Development Policy;

(d) the Borrower has completed the CFAA and presented an action plan to implement the recommendations of the CFAA to the Association, in form and substance acceptable to the Association, pursuant to the provisions of paragraph 70 of the Letter of Development Policy;

(e) the Borrower's Council of Ministers has adopted the draft budget execution reports for FY 1999 and 2000 and submitted such reports to the *Chambre des Comptes*, pursuant to the provisions of paragraph 71 of the Letter of Development Policy;

(f) the Borrower has prepared the list of poverty indicators to be used as benchmarks for the monitoring and evaluation of the PRSP, pursuant to the provision of paragraph 72 of the Letter of Development Policy;

(g) pursuant to the provisions of paragraph 73 of the Letter of Development Policy, the Presidential Decree No. 2001-528/PRES/PM/MEBA, dated October 4, 2001, has been enacted, defining the following items:

- (i) the scope of decentralization in the education sector, and the role and responsibilities at each level of the system;
- (ii) the institutional changes needed in the context of decentralization in the education sector and the volume of activities to be carried out within the Borrower's ten-year education plan; and
- (iii) the reorganization of the units and services of MEBA;

(h) pursuant to the provisions of paragraph 74 of the Letter of Development Policy, the Borrower has adopted a circular extending the number of preventive health services free of charge;

(i) pursuant to the provisions of the joint *Arrêté Ministériel* No. 02-09 and No. 02-010/MCPEA/MS, issued by the Ministry of Commerce, Enterprise Promotion and Handicrafts, dated February 8, 2002, the Borrower has adopted measures to reduce profit margins on essential generic drugs sold by CAMEG and private wholesalers to a maximum of 25 percent, as set out in paragraph 74 of the Letter of Development Policy;

(j) the Borrower has adopted Presidential Decree No. 2001-764/PRES/PM/MCPE/MEF/AGRI opening up two new cotton zones, in which the private sector is allowed to invest, as set out in paragraph 75 of the Letter of Development Policy; and

(k) the Borrower has adopted a Presidential Decree No. 2001-763/PRES/PM/MCPE/MEF/AGRI, ending the monopoly of SOFITEX, pursuant to paragraph 75 of the Letter of Development Policy.

