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GRANT NUMBER H508-BF

Financing Agreement

(Ninth Poverty Reduction Support Grant)

between

BURKINA FASO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 29, 2009

GRANT NUMBER H508-BF

FINANCING AGREEMENT

AGREEMENT dated June 29, 2009, 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), under the IDA-Financial Crisis Response Fast Track Facility established by the Executive Directors of the Association by Resolution of December 9, 2008. 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 in an amount equivalent to sixty four million six hundred thousand Special Drawing Rights (SDR 64,600,000) (“Financing”).
- 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 Payment Dates are June 15 and December 15 in each year.

2.05. 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 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 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following:

- (a) 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 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/ Lucien Marie Noël Bembamba

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Galina Y. Sotirova

Authorized Representative

SCHEDULE 1**Program Actions; Availability of Financing Proceeds****Section I. Actions under the Program**

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

1. The Recipient has: (i) consolidated the cotton price setting mechanism by contracting an independent entity taking full responsibility for the implementation of the formula and the calculation of the farm gate price each year; (ii) contracted a credit rating agency to provide rating advice for SOFITEX; (iii) produced certified accounts of SOFITEX's activity in 2008; and (iv) caused SOFITEX to implement its restructuring plan as adopted in 2008, to reduce its operation costs.
2. The Recipient has submitted to its Parliament a bill pertaining to digital signature, and has prepared a draft application decree describing the process for the certification of digital signature.
3. The Recipient has opened CEFORE for its Northern and Central-Eastern regions.
4. The Recipient has: (i) disbursed on a quarterly basis the financial transfers to 49 urban Municipalities for their recurring charges listed in the Recipient's budget law for 2009; and (ii) transferred to Territorial Collectivities and disbursed on a quarterly basis the investment funds resources for classroom construction in the 13 regional capitals.
5. The Recipient has signed operation protocols for the management of the water and sanitation services transferred to Territorial Collectivities in at least 100 rural Municipalities in the aggregate.
6. To support economic activities and services in the secondary urban municipalities, the Standing Fund for the Development of Local Authorities (FPDCT) has started selecting and financing economic and social infrastructure projects in four municipalities beyond Ouagadougou and Bobo-Dioulasso.
7. The Recipient has published on the Government's website the approved national budget and information on budget execution (on a functional basis and for each Ministry) and transfers to local governments.

8. The Recipient has caused the annual reports of its Court of Accounts for 2006 and 2007 to be published on the Court of Accounts' website.
9. The Recipient's High Authority for State Oversight has published a base line report on the extent of the corruption in the country and adopted a statistical reporting system on pending and closed corruption cases. The Recipient has improved the attractiveness of the terms and conditions of employment of the inspectorate bodies' staff across its Ministries.

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 | 64,600,000 |
| TOTAL AMOUNT | 64,600,000 |

- 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, 2010.

APPENDIX

Section I. Definitions

1. “CEFORE” means the Recipient’s centers for formalities related to businesses established pursuant to Recipient’s Decree No. 2005-332 of June 21, 2005.
2. “Court of Accounts” means the Recipient’s court of accounts created by Law No. 014-2000/AN of May 16, 2000.
3. “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.
4. "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.

5. “High Authority for State Oversight” means the Recipient’s institution created by Law No. 032-2007 of November 29, 2007.
6. “Local Government Code” means the Recipient’s code adopted by Law No. 55.2004/AN dated December 21, 2004.
7. “Municipalities” means the municipalities established under the Local Government Code.
8. “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 25, 2009 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.
9. “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.
10. “SOFITEX” means *Société Burkinabée des Fibres Textiles*, a company (*société anonyme*) established in accordance with the laws of the Recipient.
11. “Standing Fund for the Development of Local Authorities” means the fund established by the Recipient by Decree No. 2007-254.
12. “Territorial Collectivities” means the territorial collectivities established under the Local Government Code.

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. Section 2.05 (renumbered as such pursuant to paragraph 2 above) is modified to read as follows:

“Section 2.05. Refinancing Preparation Advance

If the Financing Agreement provides for the repayment out of the proceeds of the Financing of an advance made by the Association or the Bank (“Preparation Advance”), the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Financing Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Association shall pay the amount so withdrawn to itself or the Bank, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

4. 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.
5. 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.
6. 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.”

7. 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.”

8. 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”.

(d) The term “Program Preparation Advance” (renamed as such pursuant to subparagraph 8 (c) above) is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.05.”

