

CONFORMED COPY

GRANT NUMBER H482-BF

Project Agreement

(Urban Water Sector Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

OFFICE NATIONAL DE L'EAU ET DE L'ASSAINISSEMENT - ONEA

Dated June 9, 2009

GRANT NUMBER H482-BF

PROJECT AGREEMENT

AGREEMENT dated June 9, 2009, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and *OFFICE NATIONAL DES EAUX ET DE L’ASSAINISSEMENT - ONEA* (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of same date between BURKINA FASO (“Recipient) and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Financing 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 Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project and the Program. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

- 3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity's Representative is its Chairman of the Board of Directors.

4.02. The Association's Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423(MCI)

1-202-477-6391

4.03. The Project Implementing Entity's Address is:

Office National de l'Eau et de l'Assainissement
Avenue de l'ONEA, Porte 220
Secteur 17 (Pissy)
01 BP 170
Ouagadougou 01
Burkina Faso

Facsimile:

226-50-431911

AGREED at Ouagadougou, Burkina Faso, as of the day and year first above written.

**INTERNATIONAL DEVELOPMENT
ASSOCIATION**

By /s/ Galina Y. Sotirova

Authorized Representative

***OFFICE NATIONAL DE L'EAU ET DE
L'ASSAINISSEMENT - ONEA***

By /s/ Léné Sebgo

Authorized Representative

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

The Project Implementing Entity shall maintain, throughout the Project implementation, the following implementation arrangements.

A. Institutional Arrangements

1. The Project Implementing Entity shall implement the various Parts of the Project through its respective internal departments as follows:
 - a) Part 1 of the Project, through its Ougadougou Works Department, in the case of Ouagadougou, and through its Department of Planning and Investments, in the case of Bobo-Dioulasso, Koudougou and Dédougou;
 - b) Part 2 of the Project, through its Department of Sanitation;
 - c) Part 3 of the Project, through its Department of Human Resources; and
 - d) Part 4 of the Project, through the Environmental and Social Unit in its Ougadougou Works Department.
2. In the Project Implementing Entity's Ougadougou Works Department, a coordination team consisting of a monitoring and evaluation specialist, two procurement specialists, a financial officer and two accountants, shall be responsible for the overall Project coordination, consolidation of reporting and financial management, and procurement support to the other Departments carrying out activities for the Project.
3. The Project Implementing Entity shall maintain sufficient resources and staff with experience and qualifications, satisfactory to the Association, for the performance of its obligations under the Subsidiary Agreement and the Project Agreement

B. Counterpart funds and contributions

1. Without prejudice to the generality of Section 2.01 of this Agreement, the Project Implementing Entity shall:

- (a) provide from its own funds its counterpart contribution to the cost of the Project in an amount equivalent to not less than four million five hundred and twenty thousand Dollars (\$4,520,000), to be released from time to time as needed for the Project.
- (b) pursuant to the Household Sanitation Agreements, ensure that an aggregate amount equivalent to not less than eight million three hundred and ninety thousand Dollars (\$8,390,000) shall be mobilized by Beneficiaries, as part of their individual contribution to the cost of Subprojects.

C. Household Sanitation Agreements

1. For the purposes of Part 2(a) of the Project, the Project Implementing Entity shall provide Subproject Inputs to Beneficiaries to finance Subprojects in accordance with eligibility criteria and procedures acceptable to the Association, which shall include the following:

- (a) Subproject Inputs shall be provided exclusively in the form of: (i) goods and (ii) support for: (A) the identification of trained and certified masons and prefabricators in the household's neighborhood, and (B) the supervision of the quality of the works;
- (b) the services of trained and certified masons (referred to in subparagraph (a) of this paragraph) shall be contracted and financed by the Beneficiaries themselves.

2. The Project Implementing Entity shall provide each Subproject Input under a Household Sanitation Agreement with the respective Beneficiary in the form attached to the Project Implementation Manual, and on terms and conditions approved by the Association, which shall include the following:

The Project Implementing Entity shall obtain rights adequate to protect its interests and those of the Recipient and the Association, including the right to: (i) suspend or terminate the right of the Beneficiary to receive Subproject Input, or obtain the return of all or any part of the goods of the Subproject Input then received, upon the Beneficiary's failure to perform any of its obligations under the Household Sanitation Agreement; and (ii) require each Beneficiary to: (A) carry out its Subproject with due diligence and efficiency and in accordance with sound technical, economic, financial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient; (B) provide, promptly as needed, the resources required for the purpose; (C) maintain arrangements acceptable to the Association adequate to enable it to monitor and evaluate the progress of the Subproject and the achievement of its objectives; (D) (1) prepare, or allow the Project Implementing Entity to prepare on its behalf, financial statements in accordance with consistently applied accounting standards acceptable to the Association, in a manner adequate to reflect the operations, resources and expenditures related to the Subproject; and (2) at the Association's or the Recipient's request, have such financial statements audited, or allow the Project Implementing Entity to have such financial statements audited, by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association; (E) enable the Project Implementing Entity, the Recipient and the Association to inspect the Subproject; and (F) prepare and furnish to the Project Implementing Entity, the Recipient and the Association all such information as the Project Implementing Entity, the Recipient or the Association shall reasonably request relating to the foregoing.

2. The Project Implementing Entity shall exercise its rights under each Household Sanitation 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 Project Implementing Entity shall not assign, amend, abrogate or waive any of the Household Sanitation Agreements or any of their respective provisions.

D. Project Implementation Manual

- (a) The Project Implementing Entity shall, throughout the implementation of the Project, carry out the Project in accordance with the provisions of the Project Implementation Manual.

- (b) Unless the Recipient and the Association shall otherwise agree in writing, the Project Implementing Entity shall not amend or waive any provision of the Project Implementation Manual in a manner which, in the opinion of the Association, could have a material adverse impact on the implementation of the Project.
- (c) Notwithstanding the foregoing, in the event of any inconsistency between the provisions of the Project Implementation Manual and this Agreement, the provisions of this Agreement shall prevail.

E. Anti-Corruption

The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

F. Safeguards

1. The Project Implementing Entity shall take all necessary measures to ensure that the Project shall be implemented in accordance with the ESMF and RPF and, where applicable, the ESIA, the ESMPs and RAPs, if any.
2. Wherever required in terms of the ESMF or RPF, the Project Implementing Entity shall, for the purposes of any activity under the Project, or any component or subcomponent thereof, and prior to implementation thereof, proceed to have an ESIA and an ESMP or RAP, as the case may be,
 - a) prepared in form and substance satisfactory to the Association,
 - b) except as otherwise agreed with the Recipient and Association, submitted to the Association for review and approval, and
 - c) thereafter adopted, and locally disclosed,

all in accordance with the provisions of the ESMF or RPF, as the case may be.
3. Except as the Association shall otherwise agree in writing, the Project Implementing Entity shall ensure that none of the provisions of the ESMF and RPF, or ESIA, ESMPs or RAPs, if any, shall be abrogated, amended, repealed, suspended or waived.

4. Without limitation upon its other reporting obligations under this Agreement, the Project Implementing Entity shall take all measures necessary on its part to regularly collect, compile and submit to the Association, on a semi-annual basis, reports on the status of compliance with the ESMF and RPF, and ESIA, ESMPs and RAPs, if any, giving details of:
 - (a) measures taken in furtherance of such ESMF and RPF, and ESIA, ESMPs and RAPs, if any;
 - (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such ESMF and RPF, and ESIA, ESMPs and RAPs, if any; and
 - (c) remedial measures taken or required to be taken to address such conditions.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare draft Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth in Section II.A.1 (b) of Schedule 2 to the Financing Agreement. Each such draft Project Report shall cover the period of one calendar quarter, and shall be furnished to the Recipient not later than two weeks after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the Project Report.
2. The Project Implementing Entity shall assist the Recipient in preparing a report to be provided to the Association three months before the Mid-term Review, 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 objective of the Project during the period following such date. Following the Mid-term Review, the Project Implementing Entity shall act promptly and diligently and take all actions necessary on its part to take any corrective action deemed necessary by the Association to remedy any shortcoming noted in the carrying out of the Project in furtherance of the objectives of the Project.

3. The Project Implementing Entity shall provide to the Recipient not later than November 30, 2015, for incorporation in the report referred to in Section 4.08 (c) of the General Conditions all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.
2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Association not later than six months after the end of the period.
3. No later than three (3) months after the Effective Date, the Project Implementing Entity shall have recruited an external independent auditor selected in accordance with the provisions of Section III of this Schedule, for the purpose of, *inter alia*, carrying out the financial audits referred to in Paragraph 2 above.
4. The Project Implementing Entity shall maintain a self-financing ratio higher than 15%. For the purpose of this provision, the “self financing ratio” means the ratio obtained by dividing (A-B-C) by [(D+E)/2] where:

A = Cash generated from operations;

B = Repayment of principal of loans;

C = Variation in the working capital requirements;

D = Value of investments over the current year; and

E = Value of investments over the previous year.

5. The Project Implementing Entity shall: (a) prepare, not later than June 30 of each year, an action plan including a tariff increase proposal if needed, giving details of actions, measures and policies required to allow the Project Implementing Entity to maintain its Financial Equilibrium; (b) furnish said proposal and action plan to the Recipient and the Association, for their review and comments; and (c) thereafter proceed, in consultation with the Recipient and the Association, to implement its action plan, with effect from January 1 of the next year.

Section III. Procurement

All goods, works and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.