

CONFORMED COPY

CREDIT NUMBER 4519-BF

Financing Agreement

(Eighth Poverty Reduction Support Credit)

between

BURKINA FASO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 10, 2008

FINANCING AGREEMENT

AGREEMENT dated October 10, 2008, 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 credit in an amount equivalent to sixty-one million five hundred thousand Special Drawing Rights (SDR 61,500,000) (“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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 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.
- 4.02. The Additional Event of Acceleration consists of the following:
- (a) 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'Economie 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 Washington D.C., United States of America, as of the day and year first above written.

BURKINA FASO

By /s/ Lucien Marie Noel Bembamba

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Ishac Diwan

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 further revised its producer pricing mechanism for cotton to better align it with the international market price and SOFITEX has started to reduce its operating costs in 2007 and has adopted and started implementing a restructuring plan aimed at further reducing its operating costs in 2008.
- (b) The Recipient has adopted a strategy and calendar for enhanced private sector participation in SOFITEX's equity and an independent financial and operational audit of SOFITEX for 2004-2007 has been launched.
- (c) The Recipient has launched a broad stakeholders' consultation process toward the adoption of an action plan for the implementation of the EITI.
- (d) The Recipient has adopted a regulation for land titling issuance and has implemented said legislation through the establishment of a one-stop shop for land titling and a one-stop shop for construction permits.
- (e) The Recipient has adopted labor regulations to enhance the flexibility in the hours and schedules worked and to remove the limitation in the renewal of term contracts in certain sectors including mining.
- (f) The Recipient has submitted to Parliament a draft law on the overall regulation of the Recipient's electricity supply.

To improve access to decentralized basic services

- (g) The Recipient has transferred the facilities for pre-scholar and primary education to forty-nine (49) urban municipalities and has transferred to this effect school funds to twenty-two (22) provinces and their urban municipalities through a credit delegation.
- (h) The Recipient has transferred the ownership of the real estate assets of health facilities to forty-nine (49) urban municipalities and has strengthened the human resource planning, training and management functions in the Recipient's Ministry of Health as evidenced by the adoption of a Human Resources Hiring Plan and Health Personnel Training Plan, and the operationalization of the human resources software system.

- (i) The Recipient has: (A) implemented a strategy for the maintenance of new water points by the General Directorate of Water Resources of the Recipient's Ministry of Agriculture, Water and Fisheries (*Ministère de l'Agriculture, de l'Hydraulique et des Ressources Halieutiques*) and (B) ensured that water piped systems have been transferred to twenty-five (25) rural communes and at least two (2) contracts have been signed between rural communes and professional operators to manage water piped systems. Furthermore, the Recipient has continued to implement the ONEA hygiene and sanitation promotion program in four (4) secondary cities in accordance with said program.
- (j) The Recipient has strengthened the deconcentration of its budget management through: (i) the introduction of the accounting module of the Consolidated Accounting for Local Governments (*Comptes Intégrés des Collectivités Locales - CICL*) software in at least twenty (20) urban communes and the adoption of a calendar for the development and deployment of CICL's administrative management module; and (ii) the establishment of several branch offices of the Recipient's Ministry of Economy and Finance (three (3) new services in DGB, ten (10) new services in DGTCP, two (2) new services in DCCF, and seven (7) new services in DGI).

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

- (k) The Recipient has enhanced effectiveness in public spending and strengthened institutional capacities of its ministries responsible for infrastructures and environment, respectively, by ensuring that the administrative structures in charge of developing program budgets are effectively working in the ministries responsible for infrastructure and environment, respectively, and that baseline data are collected to improve predictability in budget allocation (including for road maintenance).
- (l) The Recipient has made progress in the ongoing procurement reform through: (i) the production of baseline data for the monitoring and evaluation of procurement systems; and (ii) the establishment of procurement units in at least two line ministries and two regional level entities.
- (m) The Recipient has strengthened its independent audit institution for public finance through: (i) the adoption of a decree on the review of small communes' records and accounts by a regional accountant (*trésorier*); and (ii) the decision to execute the Court of Accounts' (*Cour des Comptes*) budget through related arrangements similar to those of the Faso Ombudsman or the High Council for Communication.

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	61,500,000
TOTAL AMOUNT	61,500,000

- 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, 2009.

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, 2018 to and including June 1, 2028	1%
commencing December 1, 2028 to and including June 1, 2048	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. “DCCF” means the Recipient’s Central Directorate for Financial Control (*Direction Centrale du Contrôle Financier*) established within its Ministry of Economy and Finance.
2. “DGB” means the Recipient’s General Directorate for Budget (*Direction Générale du Budget*) established within its Ministry of Economy and Finance.
3. “DGI” means the Recipient’s General Directorate for Taxes (*Direction Générale des Impôts*) established within its Ministry of Economy and Finance.
4. “DGTCP” means the Recipient’s General Directorate for Treasury and Public Accounting (*Direction Générale du Trésor et de la Comptabilité Publique*) established within its Ministry of Economy and Finance.
5. “EITI” means the Extractive Industries Transparency Initiative, a coalition of governments, companies, civil society groups, investors and international organizations supporting improved governance in resource-rich countries.
6. “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.
7. "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.

8. “ONEA” means the Office National des Eaux et de l’Assainissement, the Recipient’s national water utility.
9. “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 August 12, 2008 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.
10. “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.
11. “SOFITEX” means *Société Burkinabè des Fibres Textiles* (SOFITEX) a company (*société anonyme*) established in accordance with the laws of the Recipient.

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.”