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GRANT NUMBER H533-BI

Financing Agreement

(Third Economic Reform Support Grant)

between

REPUBLIC OF BURUNDI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 19, 2009

GRANT NUMBER H533-BI

FINANCING AGREEMENT

AGREEMENT dated November 19, 2009 entered into between REPUBLIC OF BURUNDI (“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 the Schedule to this Agreement; and (b) the Recipient’s maintenance of an appropriate macroeconomic 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 sixteen million Special Drawing Rights (SDR 16,000,000) (“Grant”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with Section II of the Schedule to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Un-withdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Payment Dates are April 15 and October 15 in each year.
- 2.05. The Payment Currency is the Dollar.

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 exchange views with the Association on any proposed action to be taken after the disbursement of the Financing which 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 the Schedule to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following, namely, a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

ARTICLE V — EFFECTIVENESS

- 5.01. The Effectiveness Deadline is the date 90 days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is its minister at the time responsible for finance.

6.02. The Recipient's Address is:

Ministry of Finance
P. O. Box 1830
Bujumbura
Burundi

Facsimile:

257-22-22-38-27

6.03. The Association's Address is:

International Development Association
1818 H Street, N.W.
Washington, DC 20433
United States of America

Cable address:

Telex:

Facsimile:

INDEVAS
Washington, DC

248423(MCI) or
64145(MCI)

1-202-477-6391

AGREED at Bujumbura, Burundi, as of the day and year first above written.

REPUBLIC OF BURUNDI

By /s/ Clotilde Nizigama

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Mercy Tembon

Authorized Representative

SCHEDULE

Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

Actions Taken under the Program. The actions taken by the Recipient under the Program include the following:

A. Public Financial Management

1. Finalization of public expenditure tracking surveys with respect to the 2005 and 2006 budgets in the education, health, and justice sectors, and publication of related reports, in accordance with paragraph 35 of the Letter of Development Policy.
2. Execution of the 2008 budget reflecting a significant increase in the proportion of public expenditure allocations to priority economic and social sectors (ministries at the time responsible for (i) primary education, (ii) higher education and scientific research, (iii) public health, (iv) fight against AIDS, (v) national solidarity, human rights, and gender, (vi) youth, sports, and culture, (vii) agriculture and livestock, and (viii) public works and equipment relative to total public expenditure allocations, as compared with the Recipient's 2007 budget, in accordance with paragraph 36 of the Letter of Development Policy.
3. Preparation of Medium Term Expenditure Frameworks for the agriculture, education, and health sectors covering at least a three-year period and reflecting priority expenditures protected in the event of budget cuts, in accordance with paragraph 37 of the Letter of Development Policy.
4. Expansion of the integrated computerized financial management system to ensure adequate coverage of the full cycle of budget execution, including verification of the availability of funds at commitment, transmittal of expenditure files, reservations and transfers, partial payments, account closings, and entry balance management, in accordance with paragraph 38 of the Letter of Development Policy.

5. Strengthening of budget execution and elimination of arrears through the preparation and implementation of quarterly commitment plans for 2009 reflecting the operational requirements of sector ministries and overall resource and cash management constraints, in accordance with paragraph 39 of the Letter of Development Policy.
6. Establishment of a public procurement regulatory authority with an institutional framework and functions in accordance with the provisions of the Public Procurement Code of February 2008, in accordance with paragraph 40 of the Letter of Development Policy.

B. Business Environment

7. Cabinet approval and submission to Parliament of a new commercial code and private and public companies code reflecting prevailing international standards in the area, in accordance with paragraph 41 of the Letter of Development Policy.
8. Effecting an improvement in the performance of the commercial court through a reallocation of resources in the juridical sector, as evidenced by a fifty percent (50%) reduction in the number of cases pending before such court beyond the 60-day deadline mandated by law, as compared with the corresponding number in March 2008, in accordance with paragraph 42 of the Letter of Development Policy.
9. Cabinet approval of the modality for the sale of 117 coffee washing stations and initiation of such sale in 29 lots of 3-6 units each, targeting a potential 75-25 percent ownership split between private enterprises and producer organizations, respectively, including launch of a press campaign, issuance of a Presidential decree establishing a regulatory agency in the coffee sector, and related revision of the management arrangements for such washing stations, in accordance with paragraph 43 of the Letter of Development Policy.
10. Issuance of an ordinance with respect to the petroleum subsector establishing the principles of quasi-automatic monthly adjustment of local prices to changes in international prices and stabilization of operational margins at an appropriate level, and Cabinet approval and submission to Parliament of draft legislation converting customs duties and transaction taxes in such subsector into specific duties, in accordance with paragraph 44 of the Letter of Development Policy.

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 amount of the Financing to this end is set out in the table below:

Allocations	Amount of the Financing Allocated (Expressed in SDR)
Single Tranche	16,000,000
TOTAL AMOUNT	16,000,000

- 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 a dedicated foreign currency account designated by the Recipient and acceptable to the Association (“Deposit Account”); 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. Audit.** Upon the Association’s request, the Recipient shall:
1. have the Deposit Account audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;
 2. furnish to the Association as soon as available, but in any case not later than four (4) months after the date of the Association’s request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request; and

3. furnish to the Association such other information concerning the Deposit Account and its audit as the Association shall reasonably request.

E. 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.

F. Closing Date. The Closing Date is December 31, 2010.

APPENDIX

Section I. Definitions

1. "AIDS" means Acquired Immunodeficiency Virus.
2. "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.
3. "General Conditions" means the "International Development Association General Conditions for Credit and Grants", dated July 1, 2005 (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.
 4. "Letter of Development Policy" means the letter referred to in paragraph 6 of this Section.
 5. "Medium-Term Expenditure Framework" means the transparent planning and budget formulation process whereby a government cabinet of ministers establishes credible envelopes for the allocation of public resources to its strategic priorities for a given period while ensuring overall fiscal discipline.
 6. "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 September 16, 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.

7. "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 the Schedule to this Agreement.

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 un-withdrawn 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”.

- (a) 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.”
