

**CONFORMED**

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**GRANT NUMBER H682 -BF**

# **Financing Agreement**

**(Eleventh Poverty Reduction Support Grant)**

**between**

**BURKINA FASO**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated August 9, 2011**

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**FINANCING AGREEMENT**

AGREEMENT dated August 9, 2011, 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 Recipient has furnished to the Association a letter of development policy setting forth program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty (“Program”), hereby declares its commitment to the execution of the Program and requests assistance from the Association in support of the Program during its execution.

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 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 seventy-eight million nine hundred thousand Special Drawing Rights (SDR 78,900,000) (“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 May 15 and November 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 Recipient's macroeconomic policy framework and 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, namely, that 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 Additional Condition of Effectiveness consists of the following, namely, that the Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient's macroeconomic policy framework.

5.02. 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 address:	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 Noel Bembamba  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By //s// Galina 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:

##### A. **Improving the Investment Climate and Promoting Exports.**

1. *Public Private Partnerships.* The Recipient's cabinet has approved a strategy designed to facilitate public private partnerships in the Recipient's territory.
2. *Export Facilitation.* The Recipient's ministry responsible for finance has issued an administrative order setting forth a clear and rational mechanism for the reimbursement of the value added tax credits to enterprises.
3. *Freight Transport Liberalization.* The Recipient, in collaboration with private sector stakeholders, has implemented the following measures designed to liberalize and improve competition in the freight transportation industry, while preventing overloading of trucks so as to protect the road infrastructure and improve road safety:
  - (a) (i) carrying out of a census of truckers and their freight transport business and equipment, (ii) carrying out of a study to evaluate the social and economic impact of eliminating regional freight transport quotas and the truck queuing system for allocation of cargo among truckers, and (iii) on the basis of such census and study, adoption of a time-bound action plan for the elimination of such quotas and truck queuing system, such plan to include consultations with the transport unions, as well as with representatives of neighboring coastal countries and landlocked countries on such matters; and
  - (b) preparation of a periodic statistical report on axle loads along the major transport corridors which demonstrate improved implementation of axle overload prevention measures.
4. *Cotton Sector Competitiveness.* The Recipient's ministry responsible for trade has, in order to improve the viability of the cotton sector by reallocating its concessions of the cotton growing areas, issued to Faso Coton a request for a technical and financial offer for a concession of the Recipient's cotton growing land and ginning facilities in Koudougou currently allocated to SOFITEX, following consultations with the Recipient's cotton sector professional organization ("*Association Inter-professionnelle du Coton Burkinabè*" or "*AICB*").
5. *Public Enterprise Restructuring.* The Recipient has taken the following actions to restructure three public enterprises as follows:
  - (a) the Recipient has restructured its enterprise responsible for supervision of mining and geological exploration and testing activities, by selling off its assets related to water drilling;

- (b) the Recipient has sold a majority of its share ownership of its enterprise responsible for technical control of vehicles to a private enterprise; and
  - (c) the Recipient has contracted out the management of one enterprise in the hotel business to a private enterprise.
6. *Land Reform:* The Recipient’s council of ministers has adopted implementing decrees for the Rural Land Law whose objectives are to devolve authority over land management to local administrative levels of government, and provide legal standing for customary land use, so as to enhance tenure security for land users, facilitate private investment in rural areas and improve land administration

**B. Promoting Efficiency, Transparency and Accountability in the Use of Public Resources.**

- 1. *Budget Execution.* The Recipient has improved the efficiency of management of the budget and increased transparency of budgetary expenditures and begun preparing the transition toward program budgeting, by presenting the data on execution of its FY 2010 budget in such a manner that at least 50% of the budgetary expenditures (*crédits budgétaires*) allocated as “joint inter-ministerial expenditures” and actually expended are broken down by administrative and functional classification.
- 2. *Audits.* The Recipient has initiated the application of a risk-based methodology designed to achieve effective internal audits of the use of public resources, through the carrying out, in accordance with such methodology, of internal audits of high risk processes within the ministries responsible, respectively, for health, basic education and infrastructure.

**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 is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing. 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 Withdrawal Tranche	78,900,000
TOTAL AMOUNT	78,900,000

**C. Withdrawal Tranche Release Conditions.**

1. No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied:
  - (a) with the Program being carried out by the Recipient; and
  - (b) with the appropriateness of the Recipient's macroeconomic policy framework.

**D. 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.

**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 June 30, 2012.



## APPENDIX

### Section I. Definitions

1. “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.
2. “Faso Coton” means “*Faso Coton SA*”, a company established and operating under the laws of the Recipient.
  3. “FY” means the Recipient’s fiscal year, commencing on January 1 and ending on December 31.
  4. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010 with the modifications set forth in Section II of this Appendix.
  5. “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 March 29, 2011 from the Recipient to the Association.
  6. “Rural Land Law” means the Recipient’s Law No.034-2009 dated June 16, 2009 entitled “*Loi portant régime foncier rural*”.
  7. “Single Withdrawal Tranche” means the amount of the Financing allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
  8. “SOFITEX” means the Burkina Textile Fibers Company (*Société burkinabè des fibres textiles*), a state-owned enterprise established and operating under the laws of the Recipient.

## **Section II. Modifications to the General Conditions**

The modifications to the General Conditions 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. 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.

4. 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.

5. 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.”

6. 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.”

7. 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:
- (d) “‘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”.