CONFORMED COPY

GRANT NUMBER H637-BF

Financing Agreement

(Additional Financing for a Competitiveness and Enterprise Development Project)

between

BURKINA FASO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 21, 2011
FINANCING AGREEMENT

Agreement dated February 21, 2011, entered into between BURKINA FASO (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). The Recipient and the Association 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 twelve million eight hundred thousand Special Drawing Rights (SDR 12,800,000) (“Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 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 — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following, namely that the Project Implementing Entity’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following:

(a) the Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.

(b) the Original Financing Agreement has been amended for the purpose of, *inter alia*, extending the closing date stated in such agreement and restructuring Part 1 of the Original Project, in a manner satisfactory to the Association.

5.02. The Additional Legal Matter consists of the following, namely that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.

5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
5.04. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years 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: SEGEGOUV
Telex: 5555
Facsimile: 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: INDEVAS
Telex: 248423 (MCI)
Facsimile: 1-202-477-6391

Washington, D.C.
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// Madani M. Tall

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to contribute to private sector development in the Recipient’s territory by creating conditions for improved competitiveness, enterprise development and investment promotion.

The Project consists of the following parts:

Part 1: Enterprise Development, Investment Promotion and Investment Climate Activities

1. Investment Promotion and Investment Climate Activities

Carrying out a program of activities to support reforms to improve the business environment and strengthen the Recipient’s capacity for investment promotion, such activities to include:

(a) formulating a policy framework with a view to reforming the existing legislative framework and policies on investments, such framework to include: (i) continue reforming the Investment Code; (ii) reforming the tax system, including simplification of the procedures for VAT reimbursements, streamlining of tax and customs systems; and creation of increased transparency and predictability of the tax system; (iii) integrating WAEMU directives on investments into its legislative and regulatory framework; and (iv) supporting the promotion of the alternative dispute resolution mechanisms developed by the Ouagadougou Arbitration, Mediation and Conciliation Center;

(b) operation of the Permanent Secretariat of the Presidential Investment Council; and

(c) provision of technical assistance to enhance the capacity of the Investment Promotion Agency and to design and implement a coordinated mechanism of investment and exportation promotion.

2. Enterprise Development Services

(a) Financing, through the provision of Matching Grants, of specific development projects designed to provide business development services and training to SMEs and strengthen capacities of training institutions; and

(b) implementing the Project Implementing Entity’s 2010-2013 strategic business plan to: (i) strengthen its capacity as an information and orientation center for entrepreneurs including, inter alia, minor refurbishment of office facilities; (ii) provide
non financial services to SMEs; (iii) organize annual national business competitions; and (iv) develop offices in the Recipient’s main economic regions.

Part 2: Access to Financial Services

(a) (i) development of a regulatory framework for warehouse receipt-financing involving infrastructure, product inspection, insurance, verification and classification; (ii) development of a regulatory framework for mobile banking, non-bank outsourcing and electronic money services; (iii) carrying out of tax reforms on leasing; and (iv) carrying out of a program of activities to strengthen the capacities of the MEF’s directorate responsible for microfinance.

(b) Financing, through the provision of Matching Grants, of specific development projects to support financial institutions through: (i) training to increase staff productivity, strengthen capacity to appraise and grant financing to SMEs and develop new lending techniques; and (ii) development of new instruments and financial products for SMEs and rural finance, such as mobile banking, warehouse receipt lending and leasing.

(c) (i) development of a new information system for the Recipient’s entity responsible for postal services (Société Nationale des Postes - SONAPOST) and strengthening of its capacity in this area; (ii) development of a new investment policy and cash management system, promotion of new saving and insurance products and capacity building for, both the Recipient’s public sector pension scheme and the private sector pension scheme; and (iii) carrying out of a program to strengthen the operation of SOFIGIB, and its capacity to review, assess and approve applications for guarantees.

Part 3: Project Management

Carrying out a program of activities to strengthen the Project Implementing Entity’s capacity to manage the Project.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. Throughout the implementation of the Project the Recipient shall maintain the Steering Committee, with terms of reference, composition and resources acceptable to the Association, to be responsible for the coordination of the Recipient’s ministries involved in the Project and for the coordination and promotion of the Project’s activities.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity under a subsidiary agreement (“Subsidiary Agreement”) between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association, which shall include the following:

   (a) the obligation of the Recipient to

      (i) make the proceeds of the Financing available to the Project Implementing Entity in the form of a non reimbursable grant; and

      (ii) take all actions necessary to permit the Project Implementing Entity to carry out the Project and ensure the achievement of the objectives thereof; and

   (b) the obligation of the Project Implementing Entity to:

      (i) carry out its activities under the Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including, without limitation on the generality of the foregoing, in accordance with the provisions of the Project Manuals and the Anti-Corruption Guidelines applicable to recipients of Financing proceeds other than the Recipient.

      (ii) provide, promptly as needed, the resources required for the Project:
(iii) procure the goods, works and services to be financed out of the proceeds of the Financing in accordance with the provisions of this Agreement;

(iv) maintain policies and procedures which are adequate to enable it to monitor and evaluate, in accordance with indicators acceptable to the Association, the progress of the activities carried out under the Project and the achievement of the objective of the Project;

(v) (A) 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, resources and expenditures related to the activities carried out under the Project; and (B) have its Financial Statements audited annually by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and furnish such audited Financial Statements to the Recipient and the Association not later than six months after the end of such period;

(vi) (A) make Matching-Grants to Beneficiaries in accordance with eligibility criteria and procedures acceptable to the Recipient and the Association, in accordance with the provisions of the Project Agreement and further detailed in the Project Manuals; and (B) make each Matching-Grant under a Matching Grant Agreement with the respective Beneficiary on terms and conditions approved by the Recipient and the Association.

(vii) enable the Recipient and the Association to inspect the activities carried out under the Project, and any relevant records and documents; and

(viii) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

2. The Recipient shall exercise its rights and its obligations under the Subsidiary 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 Recipient shall not assign, amend, terminate, abrogate, waive or fail to enforce the Subsidiary Agreement or any of its provisions.
C. **Anti-Corruption**

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

D. **Project Manuals**

1. No later than three (3) months after the Effective Date the Recipient shall ensure that the Project Manuals are updated for the purpose of the Project, each in form and substance satisfactory to the Association.

2. (a) As of the date referred to in paragraph (1) above, the Recipient shall ensure that the Project is carried out in accordance with the Project Manuals.

   (b) Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, or waive any of the Project Manuals, or any provision thereof.

3. In the event of any inconsistency between the provisions of the Project Manuals and those of this Agreement, the provisions of this Agreement shall prevail.

**Section II. Project Monitoring, Reporting and Evaluation**

A. **Project Reports**

The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than forty five (45) days after the end of the period covered by such report.

B. **Financial Management, Financial Reports and Audits**

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than forty five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

4. No later than three (3) months after the Effective Date, the Recipient shall recruit an external independent auditor selected on the basis of terms of reference, qualifications and experience satisfactory to the Association, 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 3 above.

Section III. Procurement

A. General

1. Goods and Works. All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants’ Services. All consultants’ services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods and Works. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:
1. National Competitive Bidding (*)

(a) bids shall be advertised in national newspapers with wide circulation;

(b) bid evaluation, bidder qualification and award criteria shall be specified clearly in the bidding documents;

(c) bidders shall be given adequate response time (minimum four weeks) to prepare and submit bids;

(d) bids shall be awarded to the lowest evaluated bidder provided that this bidder is qualified;

(e) eligible bidders, including foreign bidders, shall not be precluded from participating; and

(f) no preference margin shall be granted to domestic contractors.

C. Particular Methods of Procurement of Consultants’ Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Least Cost Selection</td>
</tr>
<tr>
<td>(b) Selection Based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(c) Single Source Selection</td>
</tr>
<tr>
<td>(d) Selection of Individual Consultants</td>
</tr>
</tbody>
</table>
D. **Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.

**Section IV. Withdrawal of the Proceeds of the Financing**

A. **General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works under Part 1.2(b)(i) of the Project, Goods, consultants’ services, Training, Operating Costs and audits for the Project, excluding those for Part1.1(c) of the Project and Matching Grants</td>
<td>7,420,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods and services required for Sub-projects under Matching Grants</td>
<td>3,820,000</td>
<td>100% of amounts disbursed by the Recipient under the Matching Grant</td>
</tr>
<tr>
<td>(3) Goods, consultants’ services, and Training for Part1.1(c) of the Project</td>
<td>1,560,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>12,800,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

   (a) for payments made prior to the date of this Agreement; or

   (b) under Category (3) until the Investment Promotion Agency has been established in form and substance satisfactory to the Association.

2. The Closing Date is December 31, 2013.
APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 with the modifications set forth in Section II of this Appendix.

2. “Beneficiary” means a firm or business association established and operating under the laws of the Recipient which has met the eligibility criteria specified in the Project Manuals (as hereinafter defined) and to which the Project Implementing Entity has made or proposes to make a Matching Grant for a Sub-project in accordance with the provisions of the Project Agreement under Part 1.2(a) of the Project; or (b) a financial institution established, licensed and operating under the laws of the Recipient which has met the eligibility criteria specified in the Project Manuals (as hereinafter defined) and to which the Project Implementing Entity has made or proposes to make a Matching Grant for a Sub-project in accordance with the provisions of this Agreement under Part 2(b) of the Project.; and “Beneficiaries’ means collectively more than one Beneficiary.


7. “Investment Promotion Agency” means the new agency to be established by the Recipient to replace the agency established by the Recipient’s decree no 2009-429/PRES/PM/MCPEA/MEF dated June 18, 2009, and to be assisted under Part 1.1(c) of the Project.

8. “Matching Grant” means a grant made or proposed to be made by the Project Implementing Entity to a Beneficiary out of the proceeds of the Financing for the purpose of financing a Sub-project (as hereinafter defined).
9. “Matching Grant Agreement” means an agreement between the Project Implementing Entity and a Beneficiary setting forth the terms and conditions under which a Matching Grant shall be made available to the Beneficiary.

10. “MEF” means the Recipient’s ministry responsible for finance.

11. “Operating Costs” means the incremental operating expenses, based on annual budgets approved by the Association, incurred by the Project Implementing Entity, on account of the Project, consisting of operation and maintenance costs of office, vehicles and office equipment; water and electricity utilities, telephone, office supplies, bank charges, consultants’ costs, travel and supervision costs, *per diem*, but excluding the salaries and indemnities of officials and public servants of the Recipient’s civil service.

12. “Original Financing Agreement” means the development financing agreement for a Competitiveness and Enterprise Development Project between the Recipient and the Association, dated March 19, 2003 as amended to the date of this Agreement (Credit No. 3733-BUR and Grant No. H022-BUR).

13. “Original Project” means the Project described in the Original Financing Agreement.


15. “Permanent Secretariat of the Presidential Investment Council” means the secretariat established by the Recipient’s decree no. 2007-739/PRES dated November 19, 2007, and to be assisted under Part 1.1(b) of the Project.


17. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated November 15, 2010 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

18. “Project Implementing Entity” means *Maison de l’Entreprise du Burkina Faso*, a legal entity established and operating pursuant to the Project Implementing Entity’s Legislation.

20. “Project Manuals” means collectively the Recipient’s manual entitled Manuel de de Procédures de la MEBF and the Recipient’s manual entitled Manuel de Procédures du Fonds de Soutien à Couts Partagés giving details of operational guidelines for the Project, including: (i) eligibility criteria for the provision of Matching Grants such as, inter alia, criteria related to the Beneficiaries, and criteria related to the Sub-projects to be financed in part from the proceeds of a Matching Grant; (ii) procedures for submission and processing of Matching Grant applications; (iii) model form of the Matching Grant Agreement; and (iv) the Project institutional and implementation arrangements, each as shall have been updated in accordance with Section I.D.1 of Schedule 2 to this Agreement.

21. “SME” means, individually, a small or medium sized enterprise established and operating under the laws of the Recipient; and “SMEs” means, collectively, more than one SME.

22. “SOFIGIB” means Société Financière de Garantie Interbancaire du Burkina, the Recipient’s entity responsible for, inter alia, credit guarantee for SMEs.

23. “Steering Committee” means the committee named Comité de Pilotage established by the Recipient by decision (arrêté) no. 08-037/MCPEA/SG/PACDE dated February 04, 2008.

24. “Sub-project” means a specific development project to be carried out by a Beneficiary under Part 1.2(a) or Part 2(b) of the Project, and to be financed in part out of the proceeds of a Matching Grant.

25. “Subsidiary Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity.

26. “Training” means the cost of training under the Project, based on annual budgets approved by the Association pursuant to Section I.C of the Schedule to the Project Agreement, including costs associated with seminars, workshops, conference and study tours, travel and subsistence costs for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials and other activities directly related to course preparation and implementation.

27. “WAEMU” means West Africa Economic and Monetary Union.
Section II. Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

   “… (b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

   “… (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”
Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”