Financing Agreement

(Jiji and Mulembwe Hydropower Project)

between

REPUBLIC OF BURUNDI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 18, 2014
GRANT NUMBER H9350-BI

FINANCING AGREEMENT

AGREEMENT dated July 18, 2014, entered into between REPUBLIC OF BURUNDI ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). 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 sixty-four million seven hundred thousand Special Drawing Rights (SDR 64,700,000) ("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 April 15 and October 15 in each year.

2.05. The Payment Currency is Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective 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 Events of Suspension consist of the following:

(a) The Project Implementing Entity’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project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; and

(b) The Project Implementing Entity shall have failed to comply with any of its obligations under the Subsidiary Agreement.

(c) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Project Implementing Entity will be able to perform any of its obligations under the Subsidiary Agreement.

(d) The Recipient or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the Project Implementing Entity or for the suspension of its operations.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

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

(b) The Project Implementing Entity has recruited to the PIU, a Project coordinator, technical manager, environmental and social safeguards specialist, a financial management specialist, an accountant, and a procurement specialist, all in accordance with the provisions of Section I.B.1(c) of Schedule 2 to this Agreement and Section I.A.1(b) of the Schedule to the Project Agreement.

(c) The Project Implementing Entity has adopted the Project Implementation Manual in accordance with the provisions of Section I.D of Schedule 2 to this Agreement and Section I.C of the Schedule to the Project Agreement.

5.02. The Additional Legal Matter shall be 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 at the time responsible for finance.

6.02. The Recipient’s Address is:

Ministry of Finance and Economic Development Planning
Boite Postale 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, D.C. 20433
United States of America

Cable: INDEVAS
Telex: 248423 (MCI)
Facsimile: 1-202-477-6391

Washington, D.C.
AGREED at **Bujumbura, Burundi** as of the day and year first above written.

**REPUBLIC OF BURUNDI**

By

[Signature]

Authorized Representative

Name: *John Abdallah Manirakiza*

Title: *Ministre*

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

By

[Signature]

Authorized Representative

Name: *Ebenzga, G. Ranti*

Title: *Pawndry Director*
SCHEDULE 1

Project Description

The objective of the Project is to increase the supply of clean and low cost hydropower electricity to the Recipient’s national grid.

The Project consists of the following parts:

Part A: Hydropower Facilities and Electricity Services

Carrying out of the following program of activities for (and related to) the construction of the Jiji and Mulembwe hydropower facilities (“Project Hydropower Facilities”) and related electricity services:

1. Design, supply and installation of a hydropower scheme with 31.5 megawatts capacity and select associated infrastructure at and around a specified site on the Recipient’s Jiji River (“Jiji Hydropower Facility”) including, inter alia, (i) a concrete dam with a height of approximately 13.5 meters (“Jiji Dam”) or a concrete weir; (ii) a power plant with three-Pelton turbines operating under a head of 439 meters (“Jiji Power Plant”); (iii) access roads; and (iv) an operator’s village for the benefit of the Jiji Hydropower Facility and the Mulembwe Hydropower Facility.

2. Design, supply and installation of a hydropower facility with 16.5 megawatts capacity and select associated infrastructure at and around a specified site on the Recipient’s Mulembwe River (“Mulembwe Hydropower Facility”) including, inter alia, (i) a concrete dam with a height of approximately 14 meters (“Mulembwe Dam”); (ii) a power plant with three-Pelton turbines operating under a head of 258 meters (“Mulembwe Power Plant”); and (iii) access roads.

3. (i) Construction of a: (a) 110 kV substation at the Jiji Power Plant site (“Jiji Substation”); (b) 110 kV at the Mulembwe Power Plant site (“Mulembwe Substation”); (c) 110/30 kV substation at Horezo within the Recipient’s administrative locality of Muheka (“Horezo Substation”); and (d) 110/30/10 kV substation in the Recipient’s urban center of Kabezi (“Kabezi Substation”); and

(ii) Extension of an existing: (a) 110/30/10 kV RN1 substation in the Recipient’s commune of Gihosha (“RN1 Substation”); (b) 30/10 kV substation in the Recipient’s urban commune of Kanyosha (“Bujumbura Sud Substation”); and (c) 30/10 kV substation in the Recipient’s commune of Bururi (“Bubura Substation”).
4. Construction of: (i) 110 kV transmission lines of approximately 107.2 kilometers to connect: (a) the Jiji Substation and Mulembwe Substation, (b) each of the two aforementioned substations to the Horezo Substation, and (c) the Horezo Substation through the Kabezi Substation to the RN1 Substation; and (ii) 30 kV distribution lines of approximately 25.4 kilometers to connect: (a) the Horezo Substation to the Itaba Substation; and (b) the Kabezi Substation to the Bujumbura Sud Substation.

5. Construction of 30 kV distribution lines of approximately 18 kilometres and low voltage lines of approximately 19 kilometers to provide electricity to households; public facilities such as schools, health facilities, municipal offices, courthouses; and socio economic infrastructure such as churches, markets and coffee factories in the Recipient’s municipalities located near the Project Hydropower Facilities.

6. Carrying out of a program of activities aimed at supporting the implementation of the environmental and social mitigation measures associated with the Project including, but not limited to, the measures detailed in the Safeguards Instruments.

Part B: Technical Assistance; Project Management

1. Technical assistance to facilitate and supervise the preparation, construction and management of the Project Hydropower Facilities and associated infrastructure and preparation for the operation and maintenance of said facilities and infrastructure; including support to the activities of the Owner’s Engineer, the Dam Safety Panel and Environmental and Social Safeguards Advisory Panel.

2. Carrying out of a program of technical assistance activities aimed at strengthening Project implementation including, *inter alia*, preparation of feasibility studies related to potential future investments in electricity distribution and generation.

3. Strengthening the Project Implementing Entity’s technical and fiduciary capacity to coordinate, manage and implement the Project, including technical assistance, recruitment of requisite staff, purchase of equipment, and provision of trainings, audits, and monitoring and evaluation activities.

Part C: Power Sector Reform and Institutional Development

Carrying out of a program of activities aimed at supporting the reform of the Recipient’s power sector and sustainability of the Project Implementing Entity including, *inter alia*:
1. Support to the restructuring of the Project Implementing Entity in accordance with the 2013 REGIDESO Audit Recommendations for the purposes of increasing the Project Implementing Entity’s managerial accountability, financial sustainability and operational performance.

2. Support towards the establishment and effective functioning of a regulator for the Recipient’s power sector.

3. Strengthening the regulatory framework of the Recipient’s power sector to facilitate private sector investments, including, *inter alia*, preparation of instruments for risk management in public-private partnerships.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Project Steering Committee

1. The Recipient shall maintain, at all times during the implementation of the Project, a steering committee with a mandate, composition and resources satisfactory to the Association (“Project Steering Committee”).

2. Without limitation upon the provisions of paragraph (a) of Section I.A.1 of this Schedule 2, the Project Steering Committee shall be chaired by the permanent secretary of the Recipient’s ministry responsible for energy and mines and shall be comprised of, inter alia, representatives of the Recipient’s Second Vice Presidency and ministries responsible for finance, environment, public works, public security, agriculture and the Project Implementing Entity’s General Director.

3. The Project Steering Committee shall meet at least once every quarter and shall be responsible for Project oversight, including, inter alia: (i) assisting with coordination among the relevant ministries and other institutions involved in the Project; (ii) reviewing the proposed Annual Work Plans and Budgets for the Project; and (iii) providing overall Project monitoring and guidance.

B. Subsidiary Agreement

1. In order to achieve the objectives of the Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity under a subsidiary agreement between the Recipient and the Project Implementing Entity, under terms and conditions acceptable to the Association (“Subsidiary Agreement”), which shall include, without limitation, the following:

   (a) The proceeds of the Financing shall be made available to the Project Implementing Entity on reasonable loan terms.

   (b) The Recipient shall waive any and all Taxes, applicable to all Eligible Expenditures under the Project.

   (c) The Recipient shall require the Project Implementing Entity to maintain within its structure, the Project implementing unit with composition, terms of reference, and resources satisfactory to the Recipient and the Association which shall: (i) be comprised of qualified and experienced personnel in adequate numbers, including, inter alia, a Project
coordinator, a technical manager, financial management specialist, an accountant, a procurement specialist, an environmental and social safeguards specialist, all with qualifications, experience and terms of reference acceptable to the Association; and (ii) be responsible for day-to-day Project coordination, implementation and supervision, including, inter alia: (A) preparing proposed annual work plans of activities for inclusion in the Project, and updating the procurement plan and related budgets and consolidating Project Reports for the Project Steering Committee’s review; (B) carrying out all Project financial management and procurement activities; (C) ensuring compliance with the Safeguards Instruments; and (D) monitoring and evaluating the Project (“PIU”).

(d) Without limitation upon the provisions of the preceding paragraph (c)(i), the Recipient shall, not later than thirty (30) days before the launching of the bidding documents for Parts A.1 and A.2 of the Project, cause the Project Implementing Entity to recruit, in accordance with Section III of this Schedule 2, an owner’s engineer with qualifications, experience and terms of reference satisfactory to the Association, to assist the Project Implementing Entity with overall project management and supervision of the procurement, design, and construction of the Project Hydropower Facilities and electricity services and preparation for operation and maintenance of said Project Hydropower Facilities and electricity services (“Owner’s Engineer”).

(e) For the purpose of the construction of the Jji Dam, the Recipient shall, not later than thirty (30) days before the launching of the bidding documents for Part A.1 of the Project, cause the Project Implementing Entity to establish and thereafter maintain until the Association is satisfied that the construction of said Jji Dam has been completed and duly commissioned, an independent dam safety panel comprised of a geologist, a geo-technician, and a dam specialist, all with qualifications and experience acceptable to the Association, to advise on associated dam safety risks (“Dam Safety Panel”).

(f) The Recipient shall, not later than the commencement of activities detailed under Part A.6 of the Project, cause the Project Implementing Entity to establish and thereafter maintain, throughout the implementation of the Project, an independent environmental and social safeguards advisory panel comprised of environmental and social safeguards experts having qualifications and experience acceptable to the Association to provide advice and recommendations on all environmental and social aspects of the Project (“Environmental and Social Safeguards Advisory Panel”).
(g) The Recipient shall obtain rights adequate to protect its interests and those of the Association, including the requirement that the Project Implementing Entity:

(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 to the generality of the foregoing, in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of Financing proceeds other than the Recipient, the Project Implementation Manual, and the Safeguards Instruments;

(ii) maintain policies and procedures, adequate to enable the Project Implementing Entity 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 its objectives;

(iii) (A) maintain a financial management system and prepares 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 by the Project Implementing Entity under the Project; and (B) at the Association’s or the Recipient’s request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and furnish promptly to the Recipient and the Association the financial statements as so audited;

(iv) enable the Recipient and the Association to inspect the activities carried out by the Project Implementing Entity under the Project, their operation and any relevant records and documents; and 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; and

(v) refund any or all part of the amount of the Financing then withdrawn, upon the Recipient’s determination that the Project Implementing Entity has failed to perform any of its obligations under the Subsidiary Agreement or the Project Agreement.
2. The Recipient shall exercise its rights and carry out 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.

3. Except as the Association shall otherwise agree, the Recipient and the Project Implementing Entity shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

4. In the event of any conflict between the Subsidiary Agreement and the Financing Agreement or the Project Agreement, the Financing Agreement or the Project Agreement, as the case may be, shall prevail.

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 Implementation Manual

1. The Recipient shall prepare or cause to be prepared, in accordance with terms of reference acceptable to the Association, a Project implementation manual, containing detailed arrangements and procedures for: (a) institutional coordination and day-to-day execution of the Project; (b) Project budgeting, disbursement and financial management; (c) procurement; (d) monitoring and evaluation, reporting and communication; (e) environmental and safeguard management; and (f) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project.

2. The Recipient shall afford the Association a reasonable opportunity to review and approve such manual, and shall thereafter adopt such manual as shall have been approved by the Association (“Project Implementation Manual”).

3. The Recipient shall carry out the Project in accordance with the Project Implementation Manual and shall, not amend, abrogate, waive, or permit to be amended, abrogated, or waived, the aforementioned, or any provision thereof, without the prior written consent of the Association.

4. In the event of any conflict between the provisions of the Project Implementation Manual and those of this Agreement, the provisions of this Agreement shall prevail.

E. Annual Work Plans and Budgets

1. Not later than October 31 in each calendar year (or one month after the Effective Date for the first year of Project implementation), the Recipient shall prepare or cause to be prepared for the purpose of forwarding to the Association, a draft
annual work plan and budget for the Project (including Training and Operating Costs) for the subsequent calendar year of Project implementation, of such scope and detail as the Association shall have reasonably requested.

2. The Recipient shall afford the Association a reasonable opportunity to review such draft annual work plan and budget, and thereafter shall carry out (or cause to be carried out) such annual work plan and budget during such subsequent calendar year as shall have been approved by the Association ("Annual Work Plan and Budget"). Only those activities that are included in an Annual Work Plan and Budget shall be eligible for financing out of the proceeds of the Financing.

3. Any Training proposed to be included in an Annual Work Plan and Budget, shall include, _inter alia_: (a) particulars of the Training envisaged; (b) the criteria for selection of the personnel to be trained, and such personnel if known; (c) the selection method of the institution or individuals conducting such Training; (d) the institution conducting such Training if identified; (e) the purpose and justification for such Training; (f) the location and duration of the proposed Training; and (g) the estimate of the cost of such Training.

4. Annual Work Plans and Budgets may be revised as needed during Project implementation subject to the Association’s prior written approval.

F. Safeguards

1. The Recipient shall implement (or cause the Project Implementing Entity to implement) the Project in accordance with the relevant Safeguards Instruments, and shall, to that end:

(a) if any activity under Part A.5 of the Project would require the adoption of a Supplemental ESMP or Supplemental RAP:

(i) prepare: (A) such Supplemental ESMP or Supplemental RAP in accordance with the applicable ESMF or RPF; (B) furnish such Supplemental ESMP or Supplemental RAP to the Association for review and approval; and (C) thereafter adopt such Supplemental ESMP or Supplemental RAP prior to implementation of the activity; and

(ii) thereafter take such measures as shall be necessary or appropriate to ensure full compliance with the requirements of such Supplemental ESMP or Supplemental RAP; and

(b) if any activity under the Project would involve Affected Persons, ensure that no displacement (including restriction of access to legally designated
parks and protected areas) shall occur before resettlement measures under the RAP or Supplemental RAP, including, in the case of displacement, full payment to Affected Persons of compensation and of other assistance required for relocation, have been taken.

2. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall, for each applicable Safeguards Instrument, regularly collect, compile and furnish to the Association reports in form and substance satisfactory to the Association, on the status of compliance with each applicable Safeguards Instrument, as part of the Project Reports, giving details of:

(a) measures taken in furtherance of such Safeguards Instrument;

(b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such Safeguards Instrument; and

(c) remedial measures taken or required to be taken to address such conditions.

3. In the event that any provision of the Safeguards Instruments shall conflict with any provision under this Agreement, the provisions of this Agreement shall prevail.

4. The Recipient shall ensure that:

(a) all terms of reference for any technical assistance and studies to be carried out under the Project are consistent with the Association’s environmental and social safeguards policies; and

(b) in any Project activity that may support the drafting of regulatory instruments for the purpose of Part C.3 of the Project, due attention will be given to said policies.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall (and shall cause the Project Implementing Entity to) 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 the indicators acceptable to the Association as set forth in the Project Implementation Manual. Each Project Report shall cover the period of one calendar quarter, 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 semester, 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 (6) months after the end of such period.

4. In order to ensure the timely carrying out of the audits referred to in Section II.B.3 of this Schedule 2, the Recipient shall cause the Project Implementing Entity to recruit, in accordance with the provisions of Section III of this Schedule 2, not later than six (6) months after the Effective Date, an external auditor with qualifications, experience, and term of reference acceptable to the Association.

6. In furtherance of the provisions of this Section II.B of Schedule 2 to this Agreement, not later than three (3) months after the Effective Date, the Recipient shall cause the Project Implementing Entity to adapt for the purposes of the project, its computerized multi-project financial and accounting system in a manner satisfactory to the Association, and successfully train relevant staff in the use thereof.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting 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 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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, Goods, Works and Non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding:

2. Other Methods of Procurement of Goods, Works and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
</tbody>
</table>

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.

1. Other Methods of Procurement of Consultants’ Services. The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants’ services for those contracts which are specified in the Procurement Plan:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Least Cost Selection</td>
</tr>
<tr>
<td>(b) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(c) Selection Based on the Consultants’ Qualifications</td>
</tr>
<tr>
<td>(d) Quality-Based Selection</td>
</tr>
<tr>
<td>(e) Single-Source Selection</td>
</tr>
<tr>
<td>(f) 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.
E. Other Commitments Regarding Procurement

Not later than three (3) months after the Effective Date, the Recipient shall (or cause the Project Implementing Entity to) establish, within the PIU, a comprehensive record keeping system satisfactory to the Association, and successfully train relevant staff in the use thereof.

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 Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (Exclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, and consultants’ services for Parts A.1 and A.2 of the Project</td>
<td>47,000,000</td>
<td>38%</td>
</tr>
<tr>
<td>(2) Goods, works, non-consulting services, and consultants’ services for Part A.3 of the Project</td>
<td>6,500,000</td>
<td>45%</td>
</tr>
<tr>
<td>(3) Goods, non-consulting services, consultants’ services, Training and Operating Costs for Part B of the Project</td>
<td>6,800,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Goods, non-consulting services, consultants’ services and Training for</td>
<td>1,000,000</td>
<td>48%</td>
</tr>
<tr>
<td>Part C.1 of the Project</td>
<td>800,000</td>
<td>100%</td>
</tr>
<tr>
<td>------------------------</td>
<td>--------</td>
<td>------</td>
</tr>
<tr>
<td>(5) Goods, non-consulting services, consultants’ services and Training for Parts C.2 and C.3 of the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(6) Refund of Preparation Advance</td>
<td>2,600,000</td>
<td>Amount payable pursuant to Section 2.07 of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>64,700,000</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 (1), unless the Co-financing Agreements, except the EU Co-financing Agreement, have been executed and delivered and all conditions precedent to their effectiveness or to the right of the Recipient to make withdrawals thereunder have been fulfilled; or
   
   (c) under Category (2), unless the EU Co-financing Agreement, has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals thereunder have been fulfilled.

2. The Closing Date is December 31, 2019.

**Section V. Other Undertakings**

A. The Recipient shall:

1. throughout the implementation of the Project, maintain in a financial institution and on terms and conditions acceptable to the Association, an account into which it shall deposit all counterpart funds required for Parts A.5 and A.6 of the Project ("Counterpart Funds Account");

2. without limitation upon the provisions of Section 4.03 of the General Conditions, deposit into the Counterpart Funds Account: (a) not later than three (3) months prior to the commencement of works under Parts A.1 through A.4 of the Project, an amount equivalent to six million Dollars ($6,000,000); and (b) thereafter on a schedule and in installments agreed with the Association as reflected in the Annual Work Plan and Budget, a total amount equivalent to eight million three
hundred thousand Dollars ($8,300,000), all in the Recipient’s currency (“Counterpart Funds”); and

3. ensure that all Counterpart Funds deposited in the Counterpart Funds Account shall be used exclusively to pay for Eligible Expenditures required for Parts A.5 and A.6 of the Project.

B. For purposes of Section 4.06 of the General Conditions, the Recipient shall, not later than twelve (12) months prior to the completion of the Project Hydropower Facilities, cause the Project Implementing Entity to enter into a three (3)-year operation and maintenance contract with a qualified contractor (“O&M Contractor”) for the operation and maintenance of the Project Hydropower Facilities (“O&M Contract”) and shall upon satisfactory completion of said O&M Contract, cause the O&M Contractor to transfer, in a manner satisfactory to the Association, the continued responsibility for the operation and maintenance of said Project Hydropower Facilities to the Project Implementing Entity. Without limitations to the foregoing, the Recipient shall thereafter furnish to the Project Implementing Entity such resources necessary to operate and maintain all said Project Hydropower Facilities, and shall ensure that said Project Hydropower Facilities are at all times properly operated and maintained.

C. In the event of the construction of the Jiji Dam, the Recipient shall cause the Project Implementing Entity to:

1. adopt, not later than six (6) months before the projected date of initial filling of the Jiji Dam’s reservoir, the Dam Operation and Maintenance Plan, in form and substance acceptable to the Association and the Dam Safety Panel, and successfully train relevant staff in the use thereof, and without limitation to the preceding, ensure that the O&M Contractor implements the O&M Contract in accordance with the Dam Operation and Maintenance Plan; and

2. adopt, not later than the launching of bidding documents for Part A.1 of the Project, the Dam Instrumentation Plan, in form and substance acceptable to the Association and the Dam Safety Panel.

D. Without limitations upon the provisions of Section 4.03 of the General Conditions, the Recipient shall waive any and all Taxes, applicable to all Eligible Expenditures under the Project.
APPENDIX

Section I. Definitions


3. “Affected Person” means a person who as a result of: (i) the involuntary taking of land under the Project is affected in any of the following ways: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not the affected person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas suffers adverse impacts on his or her livelihood; and “Affected Person” means any of the Affected Persons.

4. “Annual Work Plan and Budget” means the annual work plan and budget as prepared by the Project Implementing Entity and approved by the Association in accordance with the provisions of Section I.E of Schedule 2 to this Agreement.


6. “Bujumbura Sud Substation” has the meaning given to such term in Part A.3(ii)(b) of the Project.

7. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

8. “Co-financiers” means collectively AfDB, EIB, and EU, and “Co-financier” means each and any of the Co-financiers.

9. “Co-financing” means, for purposes of paragraph 11 of the Appendix to the General Conditions, an amount of approximately US$95 million in the case of the EIB, an amount of approximately US$22 million in the case of the AfDB, and an amount of approximately US$37 million in the case of the EU, to be provided by each Co-financier respectively to assist in financing the Project.

10. “Co-financing Agreement” means the agreement to be entered into between the Recipient and each Co-financier providing for the Co-financing and “Co-financing Agreements” means collectively all such agreements.

12. “Counterpart Funds” means an amount of approximately US$14.3 million to be deposited by the Recipient into the Counterpart Funds Account in accordance with the provisions of Section V.A.2 of Schedule 2 to this Agreement, to assist in financing the Project.

13. “Counterpart Funds Accounts” means the account to be opened by the Recipient in accordance with the provisions of Section V.A.1 of Schedule 2 to this Agreement.

14. “Dam Instrumentation Plan” means the document to be prepared by the Project Implementing Entity and approved by the Association pursuant to Section V.C.2 of Schedule 2 to this Agreement, detailing the plan for the installation of instruments to monitor and record dam behavior and the related hydrometeorological, structural and seismic factors.

15. “Dam Operation and Maintenance Plan” means manual to be prepared by the Project Implementing Entity and approved by the Association pursuant to Section V.C.1 of Schedule 2 to this Agreement, detailing, among others, the organizational structure, staffing, technical expertise, required training, dam operation and maintenance equipment, facilities and procedures, long term maintenance and safety inspections for the Jiji Dam, as said manual may be amended and/or supplemented from time to time.

16. “Dam Safety Panel” means the independent panel acceptable to the Association to be retained by the Project Implementing Entity to advise on safety risks associated with the Jiji Dam, pursuant to Section I.B.1(e) of Schedule 2 to this Agreement and Section I.A.3 of the Schedule to the Project Agreement.

17. “EIB” means the European Investment Bank.

18. “Environmental and Social Impact Assessment” or “ESIA” means an assessment, disclosed in the Recipient’s territory on December 15, 2013 and at the Association’s Infoshop on December 17, 2013, in form and substance satisfactory to the Association, carried out by the Recipient to evaluate the Project’s potential environmental and social risks and impacts in its area of influence, including impact on natural habitats, forests and physical cultural resources; examine alternatives and identify ways of mitigating and managing such adverse risks and impact throughout Project implementation, as the same may be amended from time to time with the agreement of the Association, and such term includes any schedules or annexes to the assessment.
19. “Environmental and Social Management Framework” and “ESMF” mean the framework disclosed in the Recipient’s territory on December 15, 2013 and at the Association’s Infosho on December 17, 2013, in form and substance satisfactory to the Association, outlining environmental and social implementation procedures, mitigation measures and monitoring procedures for Part A.5 of the Project, as said framework may be amended from time to time with the Association’s prior written approval.

20. “Environmental and Social Management Plan” or “ESMP” the plan disclosed in the Recipient’s territory on December 15, 2013 and at the Association’s Infosho on December 17, 2013, as part of the ESIA, detailing appropriate mitigation, monitoring and institutional measures designed to mitigate potential adverse environmental impacts, offset them, reduce them to acceptable levels or enhance positive impacts, together with budget and costs estimates, sources of funding, and adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with such plan, notably specific provisions addressing: (i) management of construction sites; (ii) compensation of biodiversity loss; (iii) development and implementation of an environmental monitoring plan, including, *inter alia*, sedimentology, water quality, erosion in the watershed, hydro-meteorological parameters; (iv) support to design and implementation of the affected protected areas management plans; and (v) capacity building for the implementation of the ESMP, as such plan may be amended from time to time with the agreement of the Association, and such term includes any schedules or annexes to the plan.

21. “Environmental and Social Safeguards Advisory Panel” means the independent panel acceptable to the Association to be retained by the Project Implementing Entity to provide advice and recommendations on all environmental and social aspects of the Project pursuant to Section I.B.1(f) of Schedule 2 to this Agreement and Section I.A.4 of the Schedule to the Project Agreement.

22. “EU” means the European Union.

23. “EU Co-financing Agreement” means the agreement to be entered into between the Recipient and the EU providing for its Co-financing.


25. “Horezo Substation” has the meaning given to such term in Part A.3(i)(c) of the Project.

26. “Itaba Substation” has the meaning given to such term in Part A.3(ii)(c) of the Project.
27. “Jiji Dam” has the meaning given to such term in Part A.1(i) of the Project.

28. “Jiji Hydropower Facility” has the meaning given to such term in Part A.1 of the Project.

29. “Jiji Power Plant” has the meaning given to such term in Part A.1(ii) of the Project.

30. “Jiji Substation” has the meaning given to such term in Part A.3(i)(a) of the Project.

31. “Kabezi Substation” has the meaning given to such term in Part A.3(i)(d) of the Project.

32. “kV” means kilovolt.

33. “Mulembwe Dam” has the meaning given to such term in Part A.2(i) of the Project.

34. “Mulembwe Hydropower Facility” has the meaning given to such term in Part A.2 of the Project.

35. “Mulembwe Power Plant” has the meaning given to such term in Part A.2(ii) of the Project.

36. “Mulembwe Substation” has the meaning given to such term in Part A.3(i)(b) of the Project.

37. “O&M Contract” means the contract to be entered into between the Project Implementing Entity and the O&M Contractor for the operation and maintenance of the Project Hydropower Facilities, pursuant to Section V.B of Schedule 2 to this Agreement.

38. “O&M Contractor” means contractor referred to in Section V.B of Schedule 2 to this Agreement.

39. “Operating Costs” means incremental recurrent expenditures incurred on account of Project implementation, including: local contractual support staff salaries; travel expenditures and other travel-related allowances; equipment rental and maintenance; materials and supplies; utilities, media information campaigns; and communications’ expenses, but excluding the salaries of officials and public servants of the Recipient’s civil service.

40. “Owner’s Engineer” means an independent third-party engineer acceptable to the Association to be retained by the Project Implementing Entity to oversee the construction of the Project Hydropower Facilities pursuant to Section I.B.1(c) of
Schedule 2 to this Agreement and Section I.A.2 of the Schedule to the Project Agreement.


42. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 13, 2014 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

43. “Project Agreement” means the agreement between the Association and the Project Implementing Entity, of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement.

44. “Project Hydropower Facilities” means the facilities referred to in Part A of the Project.

45. “Project Implementation Manual” means the manual to be prepared and adopted by the Project Implementing Entity in accordance with the provisions of Section I.D of Schedule 2 to this Agreement, as the same may be revised from time to time with the prior written consent of the Association.

46. “Project Implementation Unit” or “PIU” means the unit established within the Project Implementing Entity as detailed in the letter by the Recipient’s minister in charge of finance to the Association, dated February 12, 2014.

47. “Project Implementing Entity” means REGIDESO (Régie de Production et de Distribution d’Eau et d’Electricité).

48. “Project Implementing Entity’s Legislation” means the Recipient’s Decree No. 100/164 dated September 5, 1997 which harmonized the Project Implementing Entity’s articles of association with the Recipient’s company law no.1/002 dated March 6, 1996, as the same may be amended from time to time.

49. “Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association and the Recipient on November 5, 2013.

50. “Project Steering Committee” means the steering committee established by the Recipient pursuant to the Recipient’s Ordonnance Ministeriel no 540/345 du 6/03/2014.
51. "REGIDESO" means Régie de Production et de Distribution d’Eau et d’Electricité, the water and electricity production and distribution company established under the laws of the Recipient and operating in accordance with the Project Implementing Entity’s Legislation.

52. "Resettlement Action Plan" and "RAP" mean a plan disclosed in the Recipient’s territory and at the Association’s Infoshop on March 7, 2014, in form and substance satisfactory to the Association, outlining the mitigation measures for addressing any resettlement risks associated with Parts A.1 through A.4 of the Project, as said document may be amended and/or supplemented from time to time with the prior written concurrence of the Association and subject to the initial consultation and disclosure requirements carried out on the RAP.

53. "Resettlement Policy Framework" and "RPF" mean the document disclosed for the purposes of Part A.5 of the Project, in the Recipient’s territory on December 15, 2013 and at the Association’s Infoshop on December 17, 2013, outlining the policies and procedures to be implemented in the event that specific activities implemented under the Project have potentially negative impacts on the livelihoods, assets and land of the affected population, as the said framework may be amended and/or supplemented from time to time with the prior written consent of the Association, and such term includes any schedules to such document.

54. "RN1 Substation" has the meaning given to such term in Part A.3(ii)(a) of the Project.

55. "Safeguards Instruments" means, collectively, the ESIA, ESMP, and RAP, ESMF, RPF, Supplemental ESMP and Supplemental RAP, and Safeguards Instrument means each and any of the Safeguards Instruments.

56. "Second Vice-Presidency" means the office of the Recipient’s second vice-president.

57. "Subsidiary Agreement" means the agreement referred to in Section 1.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.

58. "Supplemental ESMP" means any environmental and social management plan required under the terms of the ESMF, to be prepared by the Recipient and approved by the Association for Part A.5 of the Project, proposing appropriate mitigation, monitoring and institutional measures designed to mitigate potential adverse environmental and resettlement impacts, offset them, reduce them to acceptable levels or enhance positive impacts, as the said plan may be amended and/or supplemented from time to time with the prior written concurrence of the Association.
59. "Supplemental RAP" means any resettlement action plan required under the terms of the RPF, to be prepared by the Recipient and approved by the Association for Part A.5 of the Project, outlining the mitigation measures for addressing any resettlement risks associated with said part of the Project, as the said plan may be amended and/or supplemented from time to time with the prior written concurrence of the Association.

60. "Training" means the training of persons under the Project, including through seminars, workshops, knowledge sharing activities and study tours, and covers the following costs associated with such activity: travel and subsistence costs for training participants; costs associated with securing the services of trainers; rental of training facilities; preparation and reproduction of training materials; and other costs directly related to training preparation and implementation.