Project Agreement

(Multisectoral Water and Electricity Infrastructure Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

RÉGIE DE PRODUCTION ET DE DISTRIBUTION D'EAU ET D'ÉLECTRICITÉ

Dated June 25, 2008
GRANT NUMBER H370-BI

PROJECT AGREEMENT

AGREEMENT dated June 25, 2008, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and RÉGIE DE PRODUCTION ET DE DISTRIBUTION D’EAU ET D’ÉLECTRICITÉ (“Project Implementing Entity” (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of same date between the REPUBLIC OF BURUNDI (“Recipient) and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Financing 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 Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out implementation of the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out its implementation of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the date of this Agreement.
ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity’s Representative is its Director General.

4.02. The Association’s Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable: INDEVAS
Telex: 248423 (MCI)
Facsimile: 1-202-477-6391
Washington, D.C.

4.03. The Project Implementing Entity’s Address is:

REGIDESO
P. O. Box 660
Bujumbura
Burundi

Facsimile:

257-22-22-65-63
AGREED at Bujumbura, Burundi, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Alassane SOW

Authorized Representative

RÉGIE DE PRODUCTION ET DE DISTRIBUTION D’EAU ET D’ÉLECTRICITÉ

By /s/ Charles KUMWAMI

Authorized Representative
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall be responsible for Project coordination and implementation in accordance with the following institutional arrangements.

Steering Committee

1. The Project Implementing Entity shall maintain, throughout Project implementation, the Steering Committee referred to in Section 5.01 (c) of the Financing Agreement, with an institutional framework, functions, and resources satisfactory to the Association, and comprising at least the director general of the Project Implementing Entity, its directors, and a representative each of the Recipient’s ministries at the time responsible for finance, and water and electricity, respectively.

2. Without prejudice to the provisions of paragraph 2 of this Section, the Steering Committee shall be responsible for the provision of overall strategic orientation to the Project, ascertainment of Project results, ensuring Project alignment with the Recipient’s overall water and electrification service improvement programs, and ensuring fulfillment of the expectations of the principal Project beneficiaries.

Project Implementation Unit

4. The Project Implementing Entity shall maintain, throughout Project implementation, the Project Implementation Unit, with an institutional framework, functions, and resources satisfactory to the Association for purposes of Project implementation, including the staff referred to in Section 5.01 (d) of the Financing Agreement.

5. Without prejudice to the provisions of paragraph 4 of this Section, the Project Implementing Entity shall be responsible for day-to-day coordination and monitoring and evaluation of Project implementation and financial and administrative management under the Project.

B. Anti-Corruption

The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.
C. Manual

1. The Project Implementing Entity shall: (i) ensure that the Project is carried out in accordance with the Project Implementation Manual; and (ii) except as the Association shall otherwise agree, not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.

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

E. Safeguards

1. The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the Environmental and Social Management Framework and the Resettlement Policy Framework, and, except as the Association shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.

2. In the event of any conflict between the provisions of the Environmental and Social Management Framework, or the Resettlement Policy Framework, and those of this Agreement, the provisions of this Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) The Project Implementing Entity 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 the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Recipient and the Association not later than one (1) month after the end of the period covered by such report.

(b) The performance indicators referred to above in sub-paragraph (a) consist of the following:
<table>
<thead>
<tr>
<th>No.</th>
<th>Indicator</th>
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<tr>
<td><strong>Project Objectives</strong></td>
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<tr>
<td>1.</td>
<td>Number of persons with access to stand-posts or private connections in selected peri-urban areas of Bujumbura</td>
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<td>2.</td>
<td>Unplanned power interruptions (Minutes of unplanned medium-voltage interruptions / quarter)</td>
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<tr>
<td>3.</td>
<td>Number of persons with access to potable water in other areas of Bujumbura</td>
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<td>4.</td>
<td>Full coverage of operations and maintenance costs (including depreciation) of Project Implementing Entity through revenues (Percentage)</td>
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<tr>
<td><strong>Part 1 of Project</strong></td>
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<td>5.</td>
<td>Increase in power generation from additional sources (Gigawatt hours / year)</td>
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<td>6.</td>
<td>Reduction in technical losses (Percentage of kilowatt hours billed / Kilowatt hours produced)</td>
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<tr>
<td><strong>Part 2 of Project</strong></td>
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<td>7.</td>
<td>Increase in production capacity (Cubic meters / day)</td>
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<td>8.</td>
<td>Number of functioning stand-posts</td>
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<td>9.</td>
<td>Non-revenue water (Percentage)</td>
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<td><strong>Part 3 of Project</strong></td>
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<td>10.</td>
<td>Collection efficiency of Project Implementing Entity (Percentage of billing revenues / amount billed)</td>
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<td>11.</td>
<td>Average number of unconnected persons served per stand-post in selected Project areas</td>
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<td>12.</td>
<td>Preparation of strategic water and electricity sector plans</td>
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2. The Project Implementing Entity shall provide to the Recipient not later than nine (9) months before the Closing Date, for incorporation in the report referred to in Section 4.08 (c) of the General Conditions, all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

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

1. The Project Implementing Entity shall 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 and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.
2. Without limitation on the provisions of Part A of this Section, the Project Implementing Entity shall prepare and furnish to the Association as part of the Project Report, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one (1) fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Association not later than six (6) months after the end of the period.

Section III. Procurement

All good, works, and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.

Section IV. Other Undertakings

A. Financial Auditors

The Project Implementation Entity shall, no later than three (3) months after the Effective Date, appoint, in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement, external auditors, with qualifications, experience, and terms of reference satisfactory to the Association, for purposes of the carrying out of the audit referred to in Section II.B.3 of this Schedule.

B. Technical Auditors

1. The Project Implementing Entity shall have the Performance Contract audited on an annual basis. Each audit of the Performance Contract shall cover the period of one (1) fiscal year of the Recipient. The audit report for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

2. The Project Implementing Entity shall appoint, no later than six (6) months after the Effective Date, in accordance with the provisions of Section III of this Schedule, technical auditors, with qualifications, experience, and terms of reference satisfactory to the Association, for purposes of the carrying out of the audit referred to in paragraph 1 above.
C. Financial Management System

The Project Implementing Entity shall acquire and install, no later than six (6) months after the Effective Date, for purposes of Project implementation, an integrated financial management system satisfactory to the Association.

D. Annual Work Plans and Budgets

The Project Implementing Entity shall:

(a) furnish to the Recipient and the Association as soon as available, but in any case not later than November 30 of each year, the annual work plan and budget for the Project for each subsequent year of Project implementation, of such scope and detail as the Association shall have reasonably requested, except for the annual work plan and budget for the Project for the first year of Project implementation, which shall be furnished no later than one (1) month after the Effective Date; and

(b) thereafter ensure that the Project is carried out in accordance with said plans and budgets.

E. Semi-Annual Reviews

The Project Implementing Entity shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators referred to in Section II.A.1 (a) of the Schedule to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Recipient and the Association, on or about no later than February 1 and August 1 of each year, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Recipient and the Association, no later than March 1 and September 1, respectively, or such later dates as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association’s views on the matter.
F. Midterm Review

The Project Implementing Entity shall:

(a) carry out jointly with the Recipient and the Association, no later than 30 months after the Effective Date, a midterm review to assess the status of Project implementation, as measured against the performance indicators referred to in Section II.A.1 (a) of the Schedule to this Agreement. Such review shall include an assessment of the following: (i) overall progress in Project implementation; (ii) results of monitoring and evaluation activities; (iii) annual work plans and budgets; (iv) progress on procurement and disbursement; and (v) Project implementation arrangements; and make adjustments to the Project and reallocate funds to improve performance, if needed;

(b) prepare and furnish to the Recipient and the Association, (i) at least three (3) months before such review, a report, in scope and detail satisfactory to the Association, needed to undertake the review, integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section on the progress achieved in the carrying out of the Project during the period preceding the date of the said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review, jointly with the Recipient and the Association, the report referred to in paragraph (b) of this Section and thereafter take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association’s views on the matter.

G. Financial Restructuring of Project Implementing Entity

The Project Implementing Entity shall, no later than December 31, 2008, carry out a financial restructuring, in a manner satisfactory to the Association and as outlined in the Recipient’s letter of April 7, 2008 to the Association.