Project Agreement

(Burkina Faso Access to Irrigation for Cotton Farming Project under the Sahel Irrigation Initiative Support Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as Administrator of the Global Partnership on Output-based Aid

and

SOCIÉTÉ BURKINABÈ DES FIBRES TEXTILES

Dated February 21, 2018
PROJECT AGREEMENT

AGREEMENT dated February 21, 2018, entered into between the INTERNATIONAL DEVELOPMENT ASSOCIATION, acting as administrator of the Global Partnership on Output-based Aid ("World Bank") and the SOCIÉTÉ BURKINABÉ DES FIBRES TEXTILES ("SOFITEX" or “Project Implementing Entity”) ("Project Agreement").

WHEREAS: (A) by a grant agreement of even date herewith between Burkina Faso ("Recipient") and the International Development Association, acting as administrator of the Global Partnership on Output-based Aid ("GPOBA") Grant Agreement ("GPOBA Grant Agreement"), the World Bank has agreed to extend to the Recipient a grant in an amount not exceeding five million eight hundred fifty thousand Dollars ($5,850,000) to assist the Recipient in financing part of the cost of the project described in Schedule 1 to the GPOBA Grant Agreement ("Project") on the terms and conditions set forth in the GPOBA Grant Agreement, but only on condition that SOFITEX agree to undertake such obligations toward the World Bank as are set forth in this Agreement;

(B) by a financing agreement of even date herewith between the Recipient and the International Development Association ("Association") ("Burkina Faso Financing Agreement"), the Association has agreed to extend to the Recipient a grant in an amount equivalent to four million five hundred thousand Special Drawing Rights (SDR 4,500,000) and a credit in an amount of fifteen million nine hundred thousand Euro (EUR 15,900,000) to assist the Recipient in financing part of the cost of activities related to the Project on the terms and conditions set forth in the Burkina Faso Financing Agreement; and

(C) the Project will be carried out by the the Société Burkinabé des Fibres Textiles ("SOFITEX", as further defined in Section 1.02 of the GPOBA Grant Agreement, or “Project Implementing Entity”) with the Recipient's assistance and, as part of such assistance, the Recipient will make the proceeds of the grant provided for under the GPOBA Grant Agreement available to SOFITEX as set forth in said Agreement;

WHEREAS SOFITEX, in consideration of the Recipient’s entering into the GPOBA Grant Agreement with the World Bank, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the World Bank and SOFITEX hereby agree as follows:
ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The Standard Conditions (as defined in Section 1.01 of the GPOBA Grant Agreement) constitute, mutatis mutandis, 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 GPOBA Grant Agreement or the Standard Conditions or the Preamble hereto, and the following terms have the following meanings:

(a) “Annual Work Plan and Budget” or “AWP&B” means, each, the annual work plan and budget to be prepared on an annual basis by SOFITEX for the Project.

(b) “National Steering Committee” or “NSC” means, each, the advisory body to be established by Burkina Faso pursuant to the provisions of paragraph (b) of Section I.A of Schedule 2 to the Burkina Faso Financing Agreement for the purposes of providing policy guidance and oversight during project implementation.

ARTICLE II — PROJECT

2.01. SOFITEX declares its commitment to the objectives of the Project. To this end, SOFITEX shall carry out Project in accordance with the provisions of Article II of the Standard Conditions, this Agreement and the Subsidiary Grant Agreement and shall provide, promptly as needed, the funds, facilities, services and other resources required for Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the World Bank and SOFITEX shall otherwise agree, SOFITEX shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — EFFECTIVENESS; TERMINATION

3.01. This Agreement shall become effective on the date as of which: (i) it has been executed by all parties hereto; (ii) the Grant Agreement has become effective in accordance with its terms; and (iii) the World Bank dispatches to SOFITEX notice thereof.

3.02. This Agreement and all obligations of the parties hereunder shall forthwith terminate when all such obligations have been fully performed.
ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. SOFITEX’s Representative is its Director General.

4.02. The World Bank’s Address is:

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

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

4.03. SOFITEX’s Address is:

    2744, Avenue Gouverneur William PONTY
    BP 147 Bobo Dioulasso
    Burkina Faso

    Facsimile:

    (226) 20-97-57 72
AGREED at Ouagadougou, Burkina Faso, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as administrator of the Global Partnership on
Output-based Aid

By:

[Signature]
Authorized Representative

Name: Cheick Fantamady Kante
Title: Country Manager for Burkina Faso

SOCIÉTÉ BURKINABÈ DES FIBRES TEXTILES

By:

[Signature]
Authorized Representative

Name: Wilfried A.G. Yameogo
Title: Director General
Société Burkinabè des Fibres Textiles
SCHEDULE

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. SOFITEX shall be vested with the responsibility for disbursing Subgrants and for the management of procurement, contract administration, financial flows, and environmental and social matters. To that end, SOFITEX shall, throughout Project implementation, ensure the required financial resources are available and that SOFITEX is staffed with personnel with qualifications and experience satisfactory to the World Bank.

2. SOFITEX shall participate, throughout Project implementation, in the meetings of the National Steering Committee with the purpose of: (i) exchanging, with the other members of the NSC, experiences and lessons learnt; and (ii) reviewing and commenting on the draft AWP&B to be submitted to the World Bank.

B. Anti-Corruption

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

C. Environment and Social Management of the Project

SOFITEX shall:

(a) ensure that the design, construction, permitting, completion, testing, commissioning, insurance, ownership, operation, maintenance, management and monitoring of the Project are undertaken in compliance with: (i) the Environmental and Social Instruments; (ii) the applicable requirements of the Performance Standards, and (iii) the Applicable Environmental and Social Laws;

(b) ensure that the Environmental and Social Instruments are fully and completely implemented at all times, and any deliverables due under the ESAP are delivered in form and substance satisfactory to the World Bank;

(c) ensure that the implementation of the Environmental and Social Management System is continued and effective and that the Environmental and Social Management System is operated and the social and environmental performance of the Project is managed in a manner consistent with the Performance Standards and the Environmental and Social Instruments;
(d) ensure that the Project is carried out, including through its employees, agents, contractors and subcontractors, in conformity with the provisions of all Environmental and Social Laws, the Environmental and Social Instruments, and the Performance Standards;

(e) maintain, throughout Project implementation, at least one (1) representative with sufficient expertise in environmental matters, at least (1) one representative with sufficient expertise in social, health and safety matters, and adequate numbers of qualified supporting staff, to be responsible for the management of the environmental and social, health and safety matters for the Project and for the coordination of the implementation of the Environmental and Social Instruments;

(f) revise and/or update, as the case may be, the Environmental and Social Instruments and ESMS as required to maintain compliance with the Performance Standards and Applicable Environmental and Social Laws; provided, however, that SOFITEX shall obtain the prior written consent of the World Bank for any substantive amendments to the Environmental and Social Instruments and/or ESMS;

(g) establish, not later than six (6) months after the Effective Date, and thereafter maintain and operate, a functional complaint handling mechanism for the Project, with adequate staffing and processes for registering complaints and acceptable to the World Bank, thereby ensuring the ongoing improvement on service delivery under the Project;

(h) within ninety (90) days after the end of each Fiscal Year, deliver to the World Bank an Annual Monitoring Report in the form (Form of Annual Monitoring Report) attached to the Project Implementation Manual confirming compliance with the Performance Standards, the relevant provisions of the Environmental and Social Instruments and Applicable Environmental and Social Laws or, as the case may be, detailing any non-compliance, and setting out the action being taken to ensure compliance; and

(i) ensure that, in compliance with the Recipient’s national legislation enacted pursuant to Recipient’s obligations under the C138 – Minimum Age Convention and the C182 – Worst Forms of Child Labour Convention, there is no child labour used in the carrying out of the Project.
D. Implementation Arrangements

1. Criteria for Subproject and Beneficiary Selection

Subprojects and Beneficiaries shall be selected in accordance with the criteria and requirements set forth in the Project Implementation Manual, and upon satisfaction of all the requirements pertaining to the environmental protection applicable under the laws and regulations of the Recipient and the environmental review procedures set forth in the Project Implementation Manual.

2. Loan Application Procedures

(a) When requesting a Loan from a Financial Institution, the Beneficiary, upon the advice of a cooperative, shall furnish to the Financial Institution an application containing:

(i) a land and water management plan jointly prepared by SOFITEX and the Beneficiary on the basis of the activities to be carried out under Part I of the Project;

(ii) an appraisal of the Subproject, including a description of the expenditures proposed to be financed out of the proceeds of the Loan and the description of its technical and economic feasibility; and

(iii) such other information as the Financial Institution shall reasonably request.

(b) Upon the approval by the Financial Institution of the Loan application, a Loan shall be made: (i) and disbursed to SOFITEX, on behalf of the Beneficiary; and (ii) on terms whereby SOFITEX shall obtain, by a written memorandum of understanding with the Beneficiary, the right to:

(A) require the Beneficiary to carry out and operate the Subproject with due diligence and efficiency and in accordance with sound technical, financial, environmental and land and irrigation standards and the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient, to provide its own resources and labor and to maintain adequate records;

(B) without limitation to the generality of the provisions of the preceding paragraph (i), require the Beneficiary to carry out and operate the Subproject
with due regard to applicable social impact, ecological, environmental and pollution control standards and in accordance with the provisions of the Project Implementation Manual;

(C) ensure the goods, works and services (other than consultants' services) for the financing of which the Subgrant is applied are used exclusively in the carrying out of the Subproject;

(D) inspect, by itself or jointly with representatives of the World Bank and/or SOFITEX, if the World Bank shall so request, such goods and the sites, works, plants and construction included in the Subproject, the operation thereof, and any relevant records and documents;

(E) obtain all such information as the World Bank and/or SOFITEX shall reasonably request relating to the foregoing; and

(F) suspend or terminate the right of the Beneficiary to the use of the proceeds of the Subgrant upon failure by such Beneficiary to perform its obligations under its memorandum of understanding.

4. Subgrant Disbursement Procedures

The proceeds of a Subgrant shall be disbursed by SOFITEX directly to the Financial Institution, on behalf and for the benefit of, the Beneficiary in three tranches, as follows:

(a) an amount not exceeding twenty percent (20%) of the net subsidized investment cost of the Subproject, upon the signing of the Loan Agreement between the Financial Institution and the Beneficiary;

(b) an amount not exceeding fifty percent (50%) of the net subsidized investment cost of the Subproject, upon the confirmation by an independent verification agent that the works carried out, and the equipment acquired, under the Subproject has been properly installed and is functional as agreed in the land and water management plan submitted to the Financial Institution pursuant to the provisions of Section D.2(a)(i) of this Schedule; and

(c) an amount not exceeding thirty percent (30%) of the net subsidized investment cost of the Subproject plus eighty percent (80%) of calculated
interest on the first year of the Loan, upon the repayment by the Beneficiary of the first installment of the Loan installment due to the Financial Institution.

5. **Repayment and Cancellation of Outstanding Loan**

SOFITEX shall ensure:

(a) that the amount of the Loan outstanding and payable by each Beneficiary after full disbursement of the Subgrant is repaid by SOFITEX, on behalf and for the benefit of the Beneficiary, directly to the Financial Institution out of the proceeds of the cotton harvested and sold by SOFITEX;

(b) that each such payment is applied to cancel the amount owed by the Beneficiary to the Financial Institution; and

(c) thereafter, any net proceeds remaining are paid to the Beneficiary on the basis of the existing financing mechanism among the Financial Institution, SOFITEX and the Beneficiary.

E. **Project Implementation Manual**

SOFITEX shall:

(a) take all action required to carry out the Project in accordance with the provisions and requirements set forth or referred to in the Project Implementation Manual;

(b) submit recommendations to the World Bank for its consideration for changes and updates of the Project Implementation Manual as they may become necessary or advisable during Project implementation in order to achieve the objectives of the Project; and

(c) not assign, amend, abrogate or waive the Project Implementation Manual or any of its provisions without the prior approval of the World Bank. Notwithstanding the foregoing, if any of the provisions of the Project Implementation Manual is inconsistent with the provisions of this Agreement, the provisions of this Agreement shall prevail and govern.

F. **Annual Work Plan and Budget (AWP&B)**

SOFITEX shall:

(a) prepare a draft AWP&B for each Fiscal Year, setting forth, *inter alia*:
   (i) a detailed description of planned Project activities for the following Fiscal Year; (ii) the sources and uses of funds therefor; and
(iii) responsibility for execution of said Project activities, budgets, start and completion date, outputs, and monitoring indicators to track progress of each activity;

(b) on or about November 30 of each Fiscal Year and after considering the comments provided by the NSC, furnish to the World Bank for its comments and approval, the draft AWP&B and, promptly thereafter, finalize the AWP&B taking into account the World Bank’s views and recommendations thereon; and

(c) adopt and sign the final version of the AWP&B in the form approved by the World Bank not later than December 31 of such Fiscal Year.

G. **Training**

For the purposes of the training to be provided under the Project and to be delivered through study tours, workshops and conferences, SOFITEX shall:

(a) furnish to the World Bank for its approval, not later than November 30 of each year, a training program including an explanation of how such training is consistent and conducive to the objectives of the Project and whether it offers the best price/quality ratio, as well as the schedule for its implementation;

(b) select the trainees in accordance with a transparent process and criteria satisfactory to the World Bank; and

(c) furnish to the World Bank a report of such scope and detail as the World Bank shall reasonably request, on the results of each training and the benefits to be derived therefrom.

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

A. **Project and Completion Reports**

1. SOFITEX shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06(b)(i) of the Standard Conditions and on the basis of the Monitoring and Evaluation Indicators, including information on compliance with the Performance Standards and the Applicable Environmental and Social Laws. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Recipient not later two (2) weeks after the end of the period covered by such report for incorporation and forwarding by the Recipient to the World Bank of the overall Project Report.
2. SOFITEX shall provide to the Recipient not later than three (3) months after the Closing Date, for incorporation in the report referred to in Section 4.08(b)(ii) of the Standard Conditions all such information as the Recipient or the World Bank shall reasonably request for the purposes of such Section.

B. Financial Management, Financial Reports and Audits

1. SOFITEX shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations and financial condition of SOFITEX, including the operations, resources and expenditures related to the Project.

2. SOFITEX shall have its financial statements referred to above audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank. Each audit of these financial statements shall cover the period of one Fiscal Year of SOFITEX. SOFITEX shall ensure that the audited financial statements for each period shall be: (i) furnished to the Recipient and the World Bank not later than six (6) months after the end of the period; and (ii) made publicly available in a timely fashion and in a manner acceptable to the World Bank.

3. SOFITEX shall: (i) install, not later than three (3) months after the Effective Date, a computerized system acceptable to the World Bank to support the accounting under the Project and train its staff to effectively use said system; and (ii) recruit, not later than six (6) months after the Effective Date, an external auditor under terms of reference and with qualifications and experience satisfactory to the World Bank, to audit the Project's accounts.

Section III. Procurement

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