Trust Fund Grant Agreement

(Fifth Economic Reform Support Grant)

between

REPUBLIC OF BURUNDI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
Acting as Administrator of the Single-Donor Trust Fund for the Fifth Economic Reform Support Grant

Dated March 29, 2012
FINANCING AGREEMENT

AGREEMENT dated March 29, 2013, entered into between the REPUBLIC OF BURUNDI ("Recipient") and the INTERNATIONAL DEVELOPMENT ASSOCIATION ("World Bank"), acting as administrator of the Single-Donor Trust Fund for the Fifth Economic Reform Support Grant ("ERSG V") in respect of grant funds provided to said trust fund ("Trust Fund") by Norway, for the purpose of providing additional financing in support of the Program (as defined in the Appendix to this Agreement). The World Bank has decided to provide this financing on the basis, inter alia, of: (a) the actions which the Recipient has already taken under the Program and which are described in Section I of the Schedule to this Agreement; and (b) the Recipient's maintenance of an appropriate macroeconomic policy framework. The Recipient and the World Bank therefore hereby agree as follows:

ARTICLE I — STANDARD CONDITIONS; DEFINITIONS

1.01. The Standard 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 Standard Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to eight million seven hundred ninety five thousand three hundred sixty two Dollars and eighty Cents (US$8,795,362.80) ("Grant") to assist in financing the Program.

2.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section II of the Schedule to this Agreement.

2.03. The Grant is funded out of the abovementioned Trust Fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions, the Recipient may withdraw the Grant proceeds subject to the availability of such funds in the Trust. The World Bank shall not be obliged to provide funds under the Grant to the Recipient except to the extent the World Bank shall have received funds from the donors for this purpose.
ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the Program and its implementation. To this end,

(a) the Recipient and the World Bank shall from time to time, at the request of either party, exchange views on the Recipient’s macroeconomic policy framework and the progress achieved in carrying out the Program;

(b) prior to each such exchange of views, the Recipient shall furnish to the World Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the World Bank shall reasonably request; and

(c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the World Bank on any situation which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program, including any action specified in Section I of the Schedule to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension referred to in Section 4.02(k) of the Standard Conditions is that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. This Agreement shall become effective as of the date of execution of this Agreement by both parties, subject however to the conditions listed below being satisfied, and shall continue in effect until the Grant has been fully disbursed and the parties to this Agreement have fulfilled their obligations thereunder.

5.02. The Additional Conditions of Effectiveness consists of the following, namely that the World Bank is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient’s macroeconomic framework.

5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is its minister at the time responsible for finance.

6.02. The Recipient's Address is:

Ministry of Finance and Economic Development Planning
P. O. Box 1830
Bujumbura
Burundi

Facsimile:

257-22-22-38-27

6.03. The World Bank's Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: Telex: Facsimile:
INDEVAS 248423 (MCI) 1-202-477-6391
AGREED at Bujumbura, Burundi, as of the day and year first above written.

REPUBLIC OF BURUNDI

By

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
(acting as Administrator of the Single-Donor Trust Fund for the Fifth Economic Reform Support Grant)

By

Authorized Representative
SCHEDULE

Program Actions; Availability of Grant Proceeds

Section I. Actions under the Program

The actions taken by the Recipient under the Program include the following:

A. **Transparent System of Public Financial Management Aligned with the objectives of the Recipient’s Poverty Reduction Strategy Paper**

   (1) The Recipient has adopted a budget framework for the preparation of its 2012 budget law, consistent with its medium-term expenditure framework for the period 2011-2014 (MTEF), consequently bringing the spending thresholds for its ministries’ budget allocations in line with the MTEF.

   (2) The Recipient has issued a decree to establish the general regulations on public budget management designed to improve the management of its budget execution and public accounting.

   (3) The Recipient has disclosed to the public its budget law for 2011 and the corresponding report on the implementation of said law for the first two quarters of said year.

B. **Improving Business Environment and Promoting the Development of the Private Sector**

   (4) The Recipient has (i) completed a water and electricity tariff study and, on the basis of the study, (ii) has revised said tariffs in order to improve the financial viability and operational performance of REGIDESO and (iii) has launched a campaign to sensitize the public and make it aware of the revised tariffs and the schedule for their application.

   (5) The Recipient’s Council of Ministers has adopted, on the basis of technical and financial audits, a draft action plan with a timetable for the privatization and/or restructuring of eight pre-identified state-owned enterprises, so as to rationalize their operations.

   (6) The Recipient has appointed, by ministerial ordinance, a commission responsible for the preparation of the bidding documents for the sale of one hundred four (104) state-owned washing stations in the coffee sector and the aforementioned commission has established its work program with a clear timetable and deliverables.
The Recipient’s Council of Ministers has approved and submitted to the Recipient’s parliament a draft law on agricultural Pre-cooperatives Groups consistent with the Recipient’s coffee sector privatization strategy.

C. Coping with the Effects of Food and Fuel Crises

The Recipient has temporarily reduced excise taxes on the following petroleum items from their levels as listed in the 2009 Ministerial Ordinance, to a minimum of 70 percent on kerosene, 60 percent on diesel and 34 percent on gasoline.

Section II. Availability of Grant Proceeds

A. General. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of this Section and such additional instructions as the World Bank may specify by notice to the Recipient.

B. Allocation of Financing Amounts. The Grant is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Grant. The allocation of the amounts of the Grant to this end is set out in the table below:

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Withdrawal Tranche</td>
<td>8,795,362.80</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>8,795,362.80</td>
</tr>
</tbody>
</table>

C. Withdrawal Tranche Release Conditions.

No withdrawal shall be made of the Single Withdrawal Tranche unless the World Bank is satisfied: (a) with the Program being carried out by the Recipient, and (b) with the appropriateness of the Recipient’s macroeconomic policy framework.

D. Deposits of Grant Amounts. Except as the World Bank may otherwise agree:

1. all withdrawals from the Grant Account shall be deposited by the World Bank into a dedicated foreign currency account designated by the Recipient and acceptable to the World Bank (“Deposit Account”); and

2. the Recipient shall ensure that upon each deposit of an amount of the Grant into this account, an equivalent amount is accounted for in the
Recipient’s budget management system, in a manner acceptable to the World Bank.

E. Audit. Upon the World Bank’s request, the Recipient shall:

1. have the Deposit Account audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank;

2. furnish to the World Bank as soon as available, but in any case not later than four (4) months after the date of the World Bank’s request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the World Bank shall reasonably request; and

3. furnish to the World Bank such other information concerning the Deposit Account and its audit as the World Bank shall reasonably request.

F. Excluded Expenditures. The Recipient undertakes that the proceeds of the Grant shall not be used to finance Excluded Expenditures. If the World Bank determines at any time that an amount of the Grant was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the World Bank, refund an amount equal to the amount of such payment to the World Bank. Amounts refunded to the World Bank upon such request shall be cancelled.

G. Closing Date. The Closing Date is December 31, 2012.
APPENDIX

Section I. Definitions

1. "Excluded Expenditure" means any expenditure:

(a) for goods or services supplied under a contract which any national or international financing institution or agency other than the World Bank has financed or agreed to finance, or which the World Bank has financed or agreed to finance under another credit, grant or loan;

(b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the World Bank by notice to the Recipient:

<table>
<thead>
<tr>
<th>Group</th>
<th>Sub-group</th>
<th>Description of Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>112</td>
<td></td>
<td>Alcoholic beverages</td>
</tr>
<tr>
<td>121</td>
<td></td>
<td>Tobacco, un-manufactured, tobacco refuse</td>
</tr>
<tr>
<td>122</td>
<td></td>
<td>Tobacco, manufactured (whether or not containing tobacco substitutes)</td>
</tr>
<tr>
<td>525</td>
<td></td>
<td>Radioactive and associated materials</td>
</tr>
<tr>
<td>667</td>
<td></td>
<td>Pearls, precious and semiprecious stones, unworked or worked</td>
</tr>
<tr>
<td>718</td>
<td>718.7</td>
<td>Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors</td>
</tr>
<tr>
<td>728</td>
<td>728.43</td>
<td>Tobacco processing machinery</td>
</tr>
<tr>
<td>897</td>
<td>897.3</td>
<td>Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)</td>
</tr>
<tr>
<td>971</td>
<td></td>
<td>Gold, non-monetary (excluding gold ores and concentrates)</td>
</tr>
</tbody>
</table>
(b) for goods intended for a military or paramilitary purpose or for luxury consumption;

(d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party;

(e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(f) with respect to which the World Bank determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Grant proceeds, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the World Bank address such practices when they occur.


4. "Program" means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated October 2011 from the Recipient to the World Bank declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the World Bank in support of the Program during its execution.

5. "REGIDESO" means the Recipient’s water and electricity production company established under the laws of the Recipient, and any successor thereto.

6. "Single Withdrawal Tranche" means the amount of the Financing allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule I to this Agreement.

Section II. Modifications to the Standard Conditions

The Standard Conditions are modified as follows:

1. Sections 2.01 (Project Execution Generally) and 2.07 (Financial Management; Financial Statements; Audits) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.

2. Paragraph (a) of Section 2.03 (renumbered as such pursuant to paragraph 1 above and relating to Use of Goods, Works and Services) is deleted in its entirety.

3. Paragraph (c) of Section 2.04 (renumbered as such pursuant to paragraph 1 above) is modified to read as follows:

   "Section 2.04. Documents; Records. The Recipient shall ensure that:

   ... (c) all records evidencing expenditures under the Grant are retained until two years after the Closing date;"

4. Section 2.05 (renumbered as such pursuant to paragraph 1 above) is modified to read as follows:

   "Section 2.05. Program Monitoring, Reporting and Evaluation. The Recipient shall:

   ... (b)(ii) ensure the preparation and delivery to the World Bank, not later than six months after the Closing Date, a completion report of such scope and in such detail as the World Bank shall reasonably request, on the execution of the Program, the performance by the Recipient and the World Bank of their respective obligations under the Grant Agreement and the accomplishment of the purposes of the Grant."

5. The last sentence of Section 3.04 (d) (relating to Applications for Withdrawal) is deleted in its entirety.
6. Sections 3.05 (Designated Accounts) and 3.06 (Eligible Expenditures) are deleted in their entirety, and the remaining Sections in Article III are renumbered accordingly.

7. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The definition of the term “Eligible Expenditure” is modified to read as follows:

“Eligible Expenditure’ means any use to which the Grant is put in support of the Program, other than to finance expenditures excluded pursuant to the Grant Agreement.”

(b) The term “Financial Statements” and its definition as set forth in the Appendix are deleted in their entirety.

(c) The term “Project” is modified to read “Program” and its definition is modified to read as follows:

“Program’ means the program referred to in the Grant Agreement in support of which the Grant is made.” All references to “Project” throughout these Standard Conditions are deemed to be references to “Program”.

[Signature]