Financing Agreement

(Local Development for Jobs Project)

between

REPUBLIC OF BURUNDI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated Bujumbura, Sept 29, 2017
FINANCING AGREEMENT

AGREEMENT dated September 29, 2017, 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 thirty-six million two hundred thousand Special Drawing Rights (SDR 36,200,000) ("Financing"), to assist in financing the project described in Schedule I to this Agreement.

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 carry out the Project through the Ministry of Finance, Budget and Privatization in accordance with the provisions of Article IV of the General Conditions.
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 — EFFECTIVENESS; TERMINATION

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

(a) The Recipient has established the Project Steering Committee in accordance with the provisions of Section I.A.1 of Schedule 2 to this Agreement.

(b) The Recipient has established the Technical Committee in accordance with the provisions of Section I.A.2 of Schedule 2 to this Agreement.

(c) The Recipient has established the Project Implementation Unit and recruited to said Project Implementation Unit, a coordinator, procurement specialist, financial management specialist and an accountant in accordance with the provisions of Section I.A.3 of Schedule 2 to this Agreement.

(d) The Delegated Contract Management Agreement has been executed on behalf of the Recipient and ABUTIP in accordance with Section I.B of Schedule 2 to this Agreement.

(e) The Recipient has adopted the Project Implementation Manual in accordance with Section I.D of Schedule 2 to this Agreement.

4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

4.03. 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 (20) years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is its minister at the time responsible for finance.

5.02. The Recipient’s Address is:

Ministry of Finance, Budget and Privatization
P. O. Box 1830
Bujumbura
Burundi
Telex: 5135  MINIFINBDI
Telephone: 257-22-22-27-75

5.03. The Association’s Address is:
International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America
Telex: 248423 (MCI) Facsimile: 1-202-477-6391

AGREED at Bujumbura, Burundi, as of the day and year first above written.

REPUBLIC OF BURUNDI

By
Authorized Representative
Name: Domitien Nkurunziza
Title: Minister of Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By
Authorized Representative
Name: Nessler Coffi
Title: Country Manager
SCHEDULE 1

Project Description

The objective of the Project is to create income generating opportunities for individuals and businesses and improve access to basic infrastructure in selected regions, targeting vulnerable populations and micro, small and medium sized enterprises in selected value chains.

The Project consists of the following parts:

Part 1. Investments in Local Public Infrastructure

(a) Construction and/or rehabilitation of local public economic and social infrastructure consisting of, *inter alia*, markets, roads, health centers, schools, and youth centers, through the financing of Sub-projects in Beneficiary Communes.

(b) Strengthening the capacity of Beneficiary Communes referred to in Part 1(a) above, to manage and implement Sub-Projects, such capacity to include, *inter alia*, investment planning, revenue mobilization, municipal asset and infrastructure management, tax collection, and monitoring.

Part 2. Support for Value Chain Development

(a) (i) Strengthening the capacity of selected business climate improvement and value chain development institutions, including, *inter alia*, the Recipient’s Investment Promotion Agency, the Federal Chamber of Commerce and Industry, and the chambers of agri-business and construction to improve the quality and sustainability of their services, and (ii) establishment of a value chain support specialist team within the Investment Promotion Agency to facilitate improved support to MSMEs.

(b) Provision of Business Development Grants to Individual MSME Beneficiaries and to Cluster MSME Beneficiaries to finance shared infrastructure, technical assistance and equipment aimed at enhancing revenue productivity, job creation and access to markets notably in the fish, fruit and construction value chains.

(c) Strengthening the business environment through, *inter alia*, promotion of public-private dialogue; enhancement of regulatory framework for investment and export development by small and medium sized enterprises in the construction and agri-business sectors; improvement of business registration, building permit approval and cross-border logistics processes.
Part 3. Project Management, Coordination, and Monitoring

Carrying out of Project coordination, planning, management, audits, monitoring and evaluation; development of Project budgets and environmental and social analyses; development of a financial management system for the Project; dissemination of Project information.

Part 4. Contingency Emergency Response

Providing immediate response to an Eligible Crisis or Emergency, as needed.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Project Steering Committee

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

   (b) 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 a representative of the Ministry of Finance, Budget and Privatization and of the Ministry of Public Works and shall be comprised of, inter alia, representatives of the Recipient's ministries responsible for local and urban development, commerce, industry and tourism; a representative of the Federal Chamber of Commerce and Industry and ABELO.

   (c) The Project Steering Committee shall meet at least annually and shall be responsible for Project oversight, including inter alia: (i) providing high level policy guidance and strategic directions, (ii) facilitating adequate coordination with relevant stakeholders and alignment with sector strategies, (iii) identifying necessary Project adjustments based on monitoring and evaluation reports, and (iv) resolving issues and challenges related to the Project requiring high level interventions.

2. Technical Committee

   (a) The Recipient shall establish and maintain, at all times during the implementation of the Project, a technical committee with a mandate, composition and resources satisfactory to the Association ("Technical Committee").

   (b) Without limitation upon the provisions of paragraph (a) of Section I.A.2 of this Schedule 2, the Technical Committee shall be chaired by a representative of the Ministry of Finance, Budget and Privatization and of the Ministry of Public Works and shall be comprised of, inter alia, representatives of the Recipient's ministries responsible for local and urban development, commerce, industry and tourism; and representatives of the Federal Chamber of Commerce and Industry and sectoral chambers
3. Project Implementation Unit

(a) The Recipient shall establish and maintain, at all times during the implementation of the Project, a project implementation unit within the Ministry of Finance, Budget and Privatization with terms of reference and resources satisfactory to the Association ("Project Implementation Unit" or "PIU").

(b) Without limitation upon the provisions of Paragraph (a) of Section I.A.3 of this Schedule 2, the Project Implementation Unit shall at all times: (i) be comprised of qualified and experienced personnel in adequate numbers, and to this end, the Recipient shall recruit, inter alia: (A) a coordinator, a procurement specialist, a financial management specialist and an accountant and (B) no later than six (6) months after the Effective Date, a private sector development specialist and a monitoring and evaluations specialist all in accordance with Section III of this Schedule 2 and with qualifications and terms of reference acceptable to the Association; and (ii) be responsible for the day-to-day Project coordination and implementation of the Project, including: (A) preparing proposed annual work plans of activities for inclusion in the Project, and updating the procurement plan and related budgets and preparation of the Project Reports for the Project Steering Committee's review; (B) carrying out the Project financial management and procurement activities; (C) ensuring compliance with all safeguards-related obligations; and (D) monitoring and evaluating the Project.

B. Delegated Contract Management Agreement

1. To facilitate the carrying out of Part 1 of the Project, the Recipient shall enter into an agreement with ABUTIP, under terms and conditions approved by the Association in accordance with Section III of this Schedule 2 ("Delegated Contract Management Agreement").

2. In the Delegated Contract Management Agreement, the Recipient shall obtain rights adequate to protect the interests of the Recipient and the Association, including the right to require ABUTIP to:
(a) carry out its activities under the Part 1 of 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, the provisions of Section III of this Schedule 2, and the Safeguards Instruments;

(b) maintain policies and procedures, adequate to enable ABUTIP to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the activities carried out under Part 1 of the Project and the achievement of its objective;

(c) (i) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the activities carried out under Part 1 of the Project; and (ii) 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;

(d) enable the Recipient and the Association to inspect the activities carried out under Part 1 of 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;

(e) enter into a Sub-project Agreement with each Beneficiary Commune and the Recipient, under terms and conditions, satisfactory to the Association, including those provisions set forth in Section I.F.3 of this Schedule 2 and as further detailed in the Project Implementation Manual, to facilitate the carrying out of Sub-projects; and

(f) refund any amount of the Financing then withdrawn, upon the Recipient’s determination that ABUTIP has failed to perform any of ABUTIP’s obligations under the Delegated Contract Management Agreement.
3. The Recipient shall ensure the payment of appropriate fees to ABUTIP for its services, under the Delegated Contract Management Agreement, in accordance with the provisions of the Project Implementation Manual.

4. The Recipient shall exercise its rights and carry out its obligations under the Delegated Contract Management Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing and except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived the Delegated Contract Management Agreement or any provisions therein.

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, setting forth, inter alia, the 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 social safeguard management; (f) development, approval, monitoring and evaluation of Sub-projects; (g) terms and conditions of and procedures for award of Business Development Grants; and (h) 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 or cause to be adopted such manual as shall have been approved by the Association ("Project Implementation Manual").

3. The Recipient shall ensure that the Project is carried out 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. **Sub-projects under Part 1(a) of the Project**

1. **General**

   (a) The Project Implementation Unit shall review a priority list of Sub-project proposals, prior to having them submitted for final selection by the Technical Committee based on criteria further detailed in the Project Implementation Manual and thereafter monitor and evaluate the Sub-projects on behalf of the Recipient in accordance with the provisions of this Part F and the Project Implementation Manual.

   (b) The Technical Committee shall approve Sub-projects following their final selection by the Project Implementation Unit.

   (c) The Project Implementation Unit shall ensure that Sub-projects are carried out in accordance with the provisions of the Delegated Contract Management Agreement.
2. **Sub-project Eligibility and Sub-project Implementation Guidelines and Procedures**

No proposed Sub-project shall be eligible for financing under the Project unless, on the basis of an appraisal conducted in accordance with this Section I.F and the Project Implementation Manual, the proposed Sub-project is deemed to satisfy the eligibility criteria specified below and in further detail in the Project Implementation Manual, which shall include the following:

(a) the proposed Sub-project has been initiated by a Beneficiary Commune;

(b) the proposed activities satisfy the requirements of Part 1(a) of the Project as further detailed in the Project Implementation Manual;

(c) the proposed Sub-project is consistent with the respective Commune's Investment Plan, and, in the case of a Sub-project relating to a school or health center, a national sanitation or school program, as the case may be;

(d) the proposed Sub-project complies with the Safeguard Instruments;

(e) the proposed Sub-project is consistent with the Recipient's relevant technical, engineering, and environmental standards and sector policies;

(f) the Beneficiary Commune has put in place all necessary arrangements, including financial and human resources, for the management of the proposed Sub-project and a plan for its maintenance following completion; and

(g) in the case of a Beneficiary Commune which received sub-project financing under the Public Works and Urban Management Project, it shall have implemented said sub-project satisfactorily and in accordance with the requirements of the sub-project financing.

3. **Terms and Conditions of Sub-project Agreements**

(a) Each Sub-project shall be carried out pursuant to a Sub-project Agreement to be concluded by and among the Recipient represented by the PIU, the relevant Beneficiary Commune and ABUTIP, under terms and conditions approved by the Association and as further detailed in the Project Implementation Manual which shall include the following:

(i) a description of the Sub-project, its budget, applicable performance indicators acceptable to the Association;
(ii) the obligation of the Beneficiary Commune to provide ABUTIP with all collaboration needed to allow ABUTIP to comply with its obligations listed in (iv) and (v) below;

(iii) the obligation of the Beneficiary Commune to monitor Sub-project implementation and operationalize it following completion;

(iv) the obligation of ABUTIP to maintain policies and procedures, adequate to monitor and evaluate the Sub-project in accordance with applicable performance indicators acceptable to the Association;

(v) the obligation of ABUTIP to carry out the Sub-project (on the Beneficiary Commune's behalf) 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, the provisions of Section III of this Schedule 2; and

(vi) the right of the Recipient to: (A) inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites, plants, and construction included in the Sub-project, the operations thereof, and any relevant records and documents; and (B) obtain all information as it, or the Association, shall reasonably request regarding the administration, operation, and financial condition of Sub-projects; and

(b) The Recipient shall exercise its rights and carry out its obligations under the Sub-project Agreement in such manner as to protect its interests and the interests of the Association and, except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the Sub-project Agreement, or any provision therein.

4. Non-governmental Organizations

For the purpose of supporting ABUTIP in the implementation of Part I of the Project, the Recipient shall recruit in accordance with Section III of this Schedule 2, not later than three (3) months after the Effective Date, one or more non-governmental organizations, with terms of reference, experience and qualifications acceptable to the Association, which shall be responsible for, inter alia, overseeing, targeting, and mobilizing support to Beneficiary Communes, as further detailed in the Project Implementation Manual.
G. Business Development Grants under Part 2(b) of the Project

1. The Recipient shall make Business Development Grants to Individual MSME Beneficiaries and/or Cluster MSME Beneficiaries (collectively, "MSME Beneficiaries") in accordance with eligibility criteria and procedures set forth in the Project Implementation Manual and acceptable to the Association, which shall include the following:

(a) no proposed MSME Beneficiary shall be eligible for financing under a Business Development Grant unless the Recipient shall have determined on the basis of an appraisal carried out in accordance with guidelines acceptable to the Association and elaborated in the Project Implementation Manual, that:

(i) (A) the proposed Business Development Grant is aimed at enhancing revenue productivity, job creation and access to markets; (B) the activity financed under a Business Development Grant is technically feasible and economically and financially viable; and (C) if, pursuant to the ESMF, RPF or IPPF, one or more Supplemental Safeguard Instruments for said activity are required, such Supplemental Safeguard Instruments have been prepared and approved by the Association in accordance with the provisions of paragraph (a) of this Section I.G.1(a) and all measures required to be taken in accordance with Section I.H.1(b) of Schedule 2 to this Agreement prior to commencement of said activity as required by the Safeguard Instruments have been taken;

(ii) the proposed Individual MSME Beneficiary: (A) is a legal entity established and operating under the laws of the Recipient and has been in operation for a minimum of two years with the organization, management, technical capacity and financial resources necessary to carry out the proposed activity; (B) has prepared a satisfactory, feasible and viable business plan aimed at addressing at least one of the following challenges: product upgrade, process improvement, new process development or volume increase; (C) has prepared a financing plan and budget and a satisfactory implementation plan and has established a comprehensive record keeping system; and (D) has demonstrated the capacity, and has committed, to finance a percentage (to be determined and detailed in the Project Implementation Manual), of the total estimated cost of the Sub-project out of its own resources; and

(iii) in the case of a proposed Cluster MSME Beneficiary: (A) each constituent member of the Cluster MSME Beneficiary is a legal
entity established and operating under the laws of the Recipient and has been in operation for a minimum of two years with the organization, management, technical capacity and financial resources necessary to carry out the proposed activity; and (B) the proposed Cluster MSME Beneficiary (1) has executed an association, partnership or other similar agreement among its constituent members for the purpose of implementing the activity being financed; (2) has prepared a satisfactory, feasible and viable business plan aimed at addressing at least one of the following challenges: product upgrade, process improvement, new process development or volume increase; (3) has prepared a financing plan and budget and a satisfactory implementation plan and has established a comprehensive record keeping system; and (4) has demonstrated the capacity, and has committed, to finance a percentage (to be determined and detailed in the Project Implementation Manual), of the total estimated cost of the Sub-project out of its own resources;

(b) the maximum amount of each Business Development Grant shall not exceed the equivalent of: (i) one hundred fifty thousand dollars ($150,000) to an Individual MSME Beneficiary; or (ii) one million five hundred thousand dollars ($1,500,000) to a Cluster MSME Beneficiary;

(c) each Business Development Grant requiring a Safeguard Instrument shall be subject to the Association's prior written approval and shall only be eligible for financing under the Financing if and to the extent approved by Association.

2. The Recipient shall make each Business Development Grant under a Business Development Grant Agreement with the respective MSME Beneficiary on terms and conditions approved by the Association, which shall include the following:

(a) The Business Development Grant shall be made in Burundi Francs on a non-reimbursable grant basis;

(b) The Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to:

(i) suspend or terminate the right of the MSME Beneficiary to use the proceeds of the Business Development Grant, or all or any part of the amount of the Business Development Grant then withdrawn, upon the MSME Beneficiary's failure to perform any of its obligations under the Business Development Grant Agreement; and
require each MSME Beneficiary to:

(A) carry out the activities financed by the Business Development Grant 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 in accordance with the provisions of the ESMF, RPF or IPPF (and any Supplemental Safeguard Instrument required for the financed activities pursuant to the ESMF, RPF or IPPF), and the provisions of the Anti-Corruption Guidelines applicable to recipients of Financing proceeds other than the Recipient;

(B) provide, promptly as needed, the resources required for the purpose;

(C) procure the goods, works, non-consulting services and services to be financed out of the Business Development Grant in accordance with the provisions of this Agreement;

(D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the activities financed by the Business Development Grant and the achievement of its objectives;

(E) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the activities financed by the Business Development Grant; and (2) 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 promptly furnish the statements as so audited to the Recipient and the Association;

(F) enable the Recipient and the Association to inspect the activities financed by the Business Development Grant, and any relevant records and documents; and
prepare and furnish to the Recipient and to the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

3. The Recipient shall exercise its rights under each Business Development Grant Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree in writing, the Recipient shall not assign, amend, abrogate or waive any Business Development Grant Agreement or any of its provisions.

4. To facilitate the proper implementation of Part 2(b) of the Project, the Recipient shall recruit in accordance with Section III of this Schedule 2, not later than three (3) months after the Effective Date, an independent agency, with terms of reference, experience and qualifications acceptable to the Association, which shall be responsible for, inter alia, carrying out the technical and financial evaluation of Business Development Grant applications, as further detailed in the Project Implementation Manual (“Business Development Grants Independent Agency”).

5. Without limitation upon the provisions of paragraph 4 of this Section 1.G., not later than three (3) months after the Effective Date, the Recipient shall establish, and thereafter maintain for the purpose of Part 2(b) of the Project, a selection committee, with a mandate, composition and resources satisfactory to the Association, which shall be responsible for approval of Business Development Grant allocations to MSME Beneficiaries, upon the recommendation of the Business Development Grants Independent Agency, as further detailed in the Project Implementation Manual (“Business Development Grants Selection Committee”).

H. Safeguards

1. The Recipient shall implement the Project in accordance with the relevant Safeguards Instruments, and shall, to that end:

   (a) if any activity under the Project would require the adoption of any Supplemental Safeguard Instrument:

      (i) prepare: (A) such Supplemental Safeguard Instrument in accordance with the applicable ESMF, RPF or IPPF; (B) furnish such Supplemental Safeguard Instrument to the Association for review and approval; and (C) thereafter adopt such Supplemental Safeguard Instrument 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 Safeguard Instrument; 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 a Supplemental Safeguard Instrument prepared in accordance with the RPF 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 Supplemental Safeguard 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 Supplemental Safeguard Instrument, as part of the Project Reports, giving details of:

(a) measures taken in furtherance of such Supplemental Safeguard Instrument;

(b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such Supplemental Safeguard 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 safeguard policies; and

(b) in any Project activity that may support the drafting of regulatory instruments for the purpose of community development planning or other land related reforms, due attention will be given to said policies.

I. Contingent Emergency Response

In order to ensure the proper implementation of Part 4 of the Project, the Recipient shall:
1. (a) prepare and furnish to the Association for its review and approval, an operations manual which shall set forth detailed implementation arrangements for Part 4 of the Project, including:

(i) confirmation of designation of, terms of reference for, and resources to be allocated to, the entity to be responsible for coordinating and implementing Part 4 of the Project ("Coordinating Authority");

(ii) specific activities which may be included in Part 4 of the Project, Eligible Expenditures required therefor ("Emergency Expenditures"), and any procedures for such inclusion;

(iii) financial management arrangements for Part 4 of the Project;

(iv) procurement methods and procedures for Emergency Expenditures to be financed under Part 4 of the Project;

(v) documentation required for withdrawals of Emergency Expenditures;

(vi) environmental and social safeguard management frameworks, including any Environmental and Social Screening and Assessment Framework, Resettlement Action Plan and/or Indigenous Peoples Plan for Part 4 of the Project, consistent with the Association's policies on the matter; and

(vii) any other arrangements necessary to ensure proper coordination and implementation of Part 4 of the Project;

(b) afford the Association a reasonable opportunity to review said proposed operations manual;

(c) promptly adopt such operations manual for said Part 4 of the Project as shall have been approved by the Association ("CERC Operations Manual");

(d) ensure that Part of the Project is carried out in accordance with the CERC Operations Manual; provided, however, that in the event of any inconsistency between the provisions of the CERC Operations Manual and this Agreement, the provisions of this Agreement shall prevail; and

(e) refrain from amending, suspending, abrogating, repealing or waiving any provision of the CERC Operations Manual without prior approval by the Association.
2. The Recipient shall, throughout the implementation of Part 4 of the Project, maintain the Coordinating Authority, with qualified staff and financial resources satisfactory to the Association.

3. The Recipient shall undertake no activities under Part 4 of the Project (and no activities shall be included in said Part of the Project) unless and until the following conditions have been met in respect of said activities:

(a) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in Part 4 of the Project in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and

(b) the Recipient has prepared and disclosed all safeguards instruments required for said activities, in accordance with the CERC Operations Manual, the Association has approved all such instruments, and the Recipient has implemented any actions which are required to be taken under said instruments.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

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

B. Financial Management, Financial Reports and Audits

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

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal was made under the
Preparation Advance for the Project. 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 furtherance of the provisions of this Section II.B of Schedule 2 to this Agreement, the Recipient shall install within the PIU, not later than three (3) months after the Effective Date, a computerized financial and accounting system and thereafter train the relevant staff in the use thereof, all in a manner satisfactory to the Association.

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

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.

2. **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) Quality-Based Selection</td>
</tr>
<tr>
<td>(b) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(c) Least Cost Selection</td>
</tr>
<tr>
<td>(d) Selection Based on the Consultants' Qualifications</td>
</tr>
<tr>
<td>(e) Single-Source Selection</td>
</tr>
<tr>
<td>(f) Individual Consultants</td>
</tr>
</tbody>
</table>

D. Procurement of Emergency Expenditures under Part 4 of the Project

Notwithstanding any provision to the contrary in this Section, Emergency Expenditures required for Part 4 of the Project shall be procured in accordance with the procurement methods and procedures set forth in the CERC Operations Manual.

E. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.
Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "Disbursement Guidelines for Investment Project Financing" dated February 2017, 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 Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, consultants' services, Training and Operating Cost under Parts 1(b), 2(a), 2(c), and 3 of the Project</td>
<td>8,100,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works, non-consulting services, and consultants' services under Part 1(a) of the Project</td>
<td>21,200,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Business Development Grants under Part 2(b) of the Project</td>
<td>5,800,000</td>
<td>Percentage of the Business Development Grants, as detailed in the Project Implementation Manual</td>
</tr>
<tr>
<td>(4) Refund of Preparation Advance</td>
<td>1,100,000</td>
<td>Amount payable pursuant to Section 2.07 of the General Conditions</td>
</tr>
<tr>
<td>(5) Emergency Expenditures under Part 4 of the Project</td>
<td>0.00</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>36,200,000</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 (5), unless the Association is satisfied, and so indicates by written notification to the Recipient, that all of the following conditions have been met with respect to activities under Part 4 of the Project:

(i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities under Part 4 of the Project in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;

(ii) the Recipient has prepared and disclosed in country and in the Association's InfoShop all Safeguards Instruments required for said activities, and the Recipient has implemented any actions which are required to be taken under said safeguards Instruments, all in accordance with the provisions of Section 1.1.3(b) of this Schedule 2;

(iii) the Recipient’s Coordinating Authority is adequately staffed and resourced as provided for under the provisions of Section 1.1.2 of this Schedule 2, for the purposes of said activities; and

(iv) the Recipient has adopted an CERC Operations Manual in form, substance and manner acceptable to the Association and the provisions of the CERC Operations Manual remain or have been updated in accordance with the provisions of Section 1.1.1(c) of this Schedule 2 so as to be appropriate for the inclusion and implementation of said activities under the Part 4 of the Project.

2. The Closing Date is July 31, 2022.
APPENDIX

Section I. Definitions

1. "Affected Persons" means persons who on account of the execution of the Project, have experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons.

2. "ABELO" means the Association Burundaise des Elus Locaux established under By-Laws adopted on May 21, 2008, as amended from time to time, and regulated by ministerial decree no. 530/719, or any successor thereto.

3. "ABUTIP" means the Agence Burundaise pour la Réalisation des Travaux d'Intérêt Public, the Recipient's enterprise established and operating pursuant to its ministerial ordinance No. 530/897 of June 27, 2003, or any successor thereto.

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


6. "Beneficiary Commune" means a Commune to which or for whose benefit a Sub-project is developed pursuant to Part 1 of the Project.

7. "Business Development Grant" means a grant extended, under a Business Development Grant Agreement, to a MSME Beneficiary by the Recipient out of the proceeds of the Financing, under Part 2(b) of the Project to carry out a series of activities in accordance with Section I.G. of Schedule 2 of this Agreement and the Project Implementation Manual.

8. "Business Development Grant Agreement" means the agreement to be entered into between the Recipient and a MSME Beneficiary for the financing of a Business Development Grant in accordance with Section I.G.2 of Schedule 2 to this Agreement.

9. "Business Development Grant Independent Agency" means the agency to be recruited pursuant to Section I.G.4 of Schedule 2 to this Agreement.
10. "Business Development Grant Selection Committee" means the committee to be established pursuant to Section I.G.5 of Schedule 2 to this Agreement.

11. "Burundi Francs" means the currency of the Recipient.

12. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

13. "CERC Operations Manual" means the operations manual referred to in Section I.I.1(c) of this Agreement, to be adopted by the Recipient for purposes of Part 4 of the Project in accordance with the provisions of said Section.

14. "CERC Part of the Project" and "IRM Part" each means Part 4 of the Project.

15. "Cluster MSME Beneficiaries" means a group of MSMEs to which or for whose benefit a Business Development Grant is made or proposed to be made in accordance with Section I.G of Schedule 2 to this Agreement.

16. "Commune" means a Commune, an administrative subdivision of the Recipient, established pursuant to its law No. 1/16 of April 20, 2005.


18. "Coordinating Authority" means the entity or entities designated by the Recipient in the CERC Operations Manual and approved by the Association pursuant to Section I.I.1 of Schedule 2 to this Agreement, to be responsible for coordinating Part 4 of the Project.

19. "Delegated Contract Management Agreement" means the agreement between the Recipient and ABUTIP referred to in Section I.B of Schedule 2 to this Agreement pursuant to which ABUTIP shall carry out contract management, specifically procurement and quality control, under Part 1 of the Project.

20. "Eligible Crisis or Emergency" means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.

21. "Emergency Expenditure" means any of the Eligible Expenditures for goods, works and/or services, as detailed in the CERC Operations Manual, required to carry out one or more of the activities provided for under Part 4 of the Project.

22. "Environmental and Social Management Framework" or "ESMF" means the framework disclosed in the Recipient's territory on June 8, 2017 and at the
Association’s *Infoshop* on June 9, 2017, in form and substance satisfactory to the Association, setting out modalities to be followed in assessing the potential adverse environmental impact, including impact on physical cultural resources, associated with activities to be implemented under the Project, and the measures to be taken to offset, reduce, or mitigate such adverse impact.

23. “Environmental and Social Management Plan” and “ESMP” mean a plan, approved by the Association for the Project, to be prepared by the Recipient, 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 same may be amended from time to time with the agreement of the Association.

24. “Environmental and Social Screening and Assessment Framework” and “ESSAF” mean the environmental and social screening and assessment framework or action plan included in the CERC Operations Manual, if any.

25. “Federal Chamber of Commerce and Industry” means the *Chambre Federale de Commerce et d’Industrie du Burundi*, established as a not-for-profit association pursuant to ministerial decree no. 560/147 of July 9, 1984, as amended from time to time, or any successor thereto.

26. “Fiscal Year” means each fiscal year of the Recipient commencing on January 1 and ending on December 31.


28. “Indigenous Peoples Plan” or “IPP” means a plan to be prepared by the Recipient pursuant to the IPPF and acceptable to the Association and developed on the basis of a social assessment and in consultation with the affected indigenous peoples’ communities present in, or that have a collective attachment to the Project area, setting out the measures to ensure that: (a) Indigenous Peoples affected by the Project receive culturally appropriate social and economic benefits; and (b) when potential adverse effects on Indigenous Peoples are identified, those adverse effects are avoided, minimized, mitigated, or compensated.

29. “Indigenous Peoples Planning Framework” or “IPPF” means the framework prepared and adopted by the Recipient, disclosed in-country on June 1, 2017 and in the World Bank’s Infoshop on June 6, 2017, setting out the modalities to be followed in assessing the potential adverse environmental and social impacts of Project activities and the measures to be taken to offset, reduce or mitigate such adverse impacts; as such plan may be amended by the Recipient from time to time, with the prior written agreement of the Association.
30. "Individual MSME Beneficiaries" means a single MSME to which or for whose benefit a Business Development Grant is made or proposed to be made in accordance with Section I.G of Schedule 2 to this Agreement.

31. "Integrated Pest Management Plan" or "IPMP" means the plan prepared and adopted by the Recipient, disclosed in-country on June 8, 2017 and in the Association's Infoshop on June 9, 2017, setting out the modalities to be followed in assessing the potential adverse environmental and social impacts of Project activities and the measures to be taken to offset, reduce or mitigate such adverse impacts; as such plan may be amended by the Recipient from time to time, with the prior written agreement of the Association.

32. "Investment Plan" means a Plan Communal de Développement Communautaire adopted by a Beneficiary Commune, as amended from time to time.

33. "Investment Promotion Agency" means the Agence de Promotion des Investissements, established pursuant to the Recipient's decree 100/177 of October 19, 2009, or any successor thereto.

34. "Ministry of Finance, Budget and Privatization" means the Recipient's ministry responsible for finance and any successor thereto.

35. "Ministry of Public Works" means the Recipient's ministry responsible for public works and any successor thereto.

36. "MSME" means a micro, small and medium sized enterprise.

37. "MSME Beneficiaries" means collectively, individual MSME Beneficiaries and Cluster MSME Beneficiaries and "MSME Beneficiary" means an individual MSME Beneficiary or a Cluster MSME Beneficiary.

38. "Operating Costs" means the reasonable incremental expenses incurred by the Ministry of Finance, Budget and Privatization, based on annual budgets approved by the Association, by the Recipient on account of Project implementation, management, and monitoring, including office supplies and consumables; communication costs; operation and maintenance of office vehicles and equipment; per diem and national and international travel costs and accommodations for Project staff; reasonable bank charges; and allowances and salaries of the Project's contractual staff (but excluding the salaries of the Recipient's civil/public servants).

39. "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 on behalf of the Recipient on December 29, 2016.

41. "Procurement Plan" means the Recipient's procurement plan for the Project, dated June 22, 2017 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.

42. "Project Implementation Manual" or "PIM" means the implementation manual to be prepared and adopted by the Recipient in accordance with the provisions of Section I.D of Schedule 2 to this Agreement, as the same may be amended from time to time with the prior agreement of the Association.

43. "Project Implementation Unit" or "PIU" means the unit to be established pursuant to Section I.A.3 of Schedule 2 to this Agreement.

44. "Project Steering Committee" means the steering committee to be established pursuant to Section I.A.1 of Schedule 2 to this Agreement.

45. "Public Works and Urban Management Project" means the Recipient's project financed pursuant to the amended and restated financing agreement between the Recipient and the Association, dated June 28, 2012 (Grant No. H485-BI & H781-BJ).

46. "Resettlement Action Plan" or "RAP" means each site-specific resettlement action plan prepared and to be prepared pursuant to the RPF pursuant to Section I.H.1.(a) of Schedule 2 to this Agreement approved by the Association, for a set of activities included under the Project, giving details of the specific actions, measures and policies required to provide compensation, rehabilitation and resettlement assistance to any Affected Persons, along with the procedural and institutional measures needed to implement such actions, measures and policies.

47. "Resettlement Policy Framework" or "RPF" means the framework document prepared by the Recipient in form and substance satisfactory to the Association and disclosed in-country on May 30, 2017 and in the Association's Infoshop on June 6, 2017, which outlines 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 Affected Persons, 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.

48. "Safeguards Instruments" means the ESMF, RPF, IPMP, IPPF, and any Supplemental Safeguards Instruments.
49. "Sub-project" means a specific activity for the benefit of a Beneficiary Commune under Part 1 of the Project and that meet the eligibility criteria and terms and conditions set out in Sections I.F of Schedule 2 this Agreement and the Project Implementation Manual.

50. "Sub-project Agreement" means the agreement by and among the Recipient, ABUTIP and each Beneficiary Commune referred to in Section I.F of Schedule 2 pursuant to which ABUTIP shall implement a sub-project on behalf of said Beneficiary Commune, specifically with respect to procurement and quality control, under Part 1(a) of the Project.

51. "Supplemental Safeguard Instruments" means any ESMP, RAP, IPP or any other site-specific supplemental safeguard instruments as required under the terms of the ESMF, RPF, and IPPF.

52. "Training" means the reasonable costs of training under the Project, based on the Annual Work Plans and Budget referred to in Section I.E of Schedule 2 to this Agreement as approved by the Association, and attributable to national and international seminars, workshops, and study tours, along with national and international travel and subsistence allowances for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.

53. "Technical Committee" means the committee to be established pursuant to Section I.A.2 of Schedule 2 to this Agreement.