OFFICIAL DOCUMENTS

GRANT NUMBER D224-BF

Financing Agreement

(Additional Financing for Local Government Support Project)

between

BURKINA FASO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 29, 2017
AGREEMENT dated September 28, 2017, entered into between BURKINA FASO ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). 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.

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 forty-three million and four hundred thousand Special Drawing Rights (43,400,000 SDR) ("Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Payment Dates are March 15 and September 15 in each year.

2.05. The Payment Currency is Euro.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project 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 — REMEDIES OF THE ASSOCIATION**

4.01. The Additional Event of Suspension consists of the following, namely that the Local Government Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Recipient or any Beneficiary to perform any of its obligations under the Project.

**ARTICLE V — EFFECTIVENESS; TERMINATION**

5.01. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.

5.02. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the date of this Agreement.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

6.01. The Recipient’s Representative is its Minister responsible at the time for finance.

6.02. The Recipient’s Address is:

Ministry of Economy, Finance and Development  
*Ministère de l’Économie des Finances et du développement*  
03 BP 7050  
Ouagadougou 03  
Burkina Faso

Cable: SEGEGOUV  
Telex: 5555  
Facsimile: 226-50-31-25-15

6.03. 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 Ouagadougou, Burkina Faso as of the day and year first above written.

BURKINA FASO

By

Authorized Representative

Name: Hadizaou Rosine Coulibaly
Title: Minister of Economy, Finance and Development

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Cheick F. Hante
Title: Country Manager for Burkina Faso
SCHEDULE 1

Project Description

The objectives of the Project are to strengthen the central government’s capacity for decentralization and the institutional capacities in all Regions and to increase citizen participation in local governance.

The Project consists of the following parts:

Part A. Establishment of the Foundations for Robust Administrative and Fiscal Intergovernmental Institutions

Development of transparent, rational and robust intergovernmental fiscal framework and administrative systems for the Recipient, through:


(a) Carrying out of: (i) studies to review the current intergovernmental fiscal framework to identify and recommend a suitable policy statement on the matter, and studies to identify and recommend suitable fiscal decentralization policy options, with a focus on: (A) expenditure assignment (service delivery responsibilities); (B) revenue assignment; (C) intergovernmental transfer systems; and (D) local borrowing; and (ii) Training and Workshops for central and local government officials, to increase their awareness and understanding of such policy options.

(b) Provision of: (i) support to the Prime Minister’s Office aimed at improving its monitoring functions; through: (A) preparation and disclosure of annual reports on the performance of the Recipient’s government commitments to decentralization; (B) provision of technical assistance to enhance coordination among governmental entities to achieve decentralization targets; (C) support to the Parliamentary Network efforts to promote decentralization, through: (1) developing Training and Workshops for members of the said Network on decentralization policies and related issues; (2) developing a platform to enhance Parliamentarians’ interactions with local government actors and citizens; and (3) improving the oversight functions of the Parliamentary Network, including oversight of the decentralization process; and (ii) development of required studies to recommend suitable decentralization policy options; including through: (A) carrying out of a robust intergovernmental fiscal framework; and (B) provision of Training and Workshops for selected governmental officials on said framework.
2. **MINEFID.** Carrying out of a program to improve the institutional capacities of MINEFID and local governments in respect of revenue collection and administration, to improve the institutional capacity of local governments in respect of expenditure planning and to rationalize fiscal transfers by MINEFID to local governments, such program to consist of:

(a) carrying out of a study of local government revenue sources and development of simplified guidelines for, and training in, revenue collection by local governments;

(b) (i) carrying out of a study to identify issues in the flow of funds from MINEFID to local governments, recommend measures to address such issues, and based on said study, adoption of such recommended measures; (ii) development and delivery of training for regional MINEFID staff in order to enhance the performance of their functions; (iii) preparation of a procedures manual for revenue utilization by local governments; and (iv) preparation of annual reports on local government finances at municipal and regional levels;

(c) carrying out of a study of the system of resource transfers to local governments in order to improve the transparency and predictability and adequacy of such system;

(d) scaling up the development and implementation of a de-concentration action plan for MINEFID for the mobilization of revenue collection services at the local level, including construction of local-level facilities, and provision of software and hardware for regional offices of MINEFID, all as required under said action plan;

(e) carrying out of a study that provides options to improve fiscal framework for better service delivery at the local level; and

(f) developing of a roadmap on regulating fiscal decentralization efforts.

3. **MTADS.** Carrying out of a program to rationalize the organization, management and operations of MTADS and introduce guidelines for human resource management, procurement and public financial management by local governments, so as to facilitate de-concentration of government functions to local government levels, such program to consist of:

(a) carrying out of an organizational, managerial and operational review of MTADS and implementation of its recommendations;

(b) development and implementation of a de-concentration action plan for the MTADS, including construction, furnishing and equipping of facilities,
dissemination of informational materials concerning decentralization, and provision of software and hardware for the regional offices of MTADS, all as required under such action plan;

(c) carrying out of a study to identify issues in local government budget planning and execution, human resource management and procurement and to develop and implement recommendations to address such issues;

(d) development and introduction of a system for collection, storage, archiving and dissemination of financial, economic, socio-demographic information about municipalities, as well as development of a database of such information; and

(e) development of: (i) a study relevant to the implementation of the Recipient's decentralization policy; (ii) procedures for identification and transferring of service delivery responsibilities under said policy; (iii) guidelines to facilitate communes' compliance with the said policy's overall objectives; and (iv) a study providing for mechanisms for tracking and assessing the direct impact of service delivery responsibilities transferred to the Recipient's communes.

Part B. **Strengthening Capacity of Municipalities to Manage Local Development**

Carrying out of a program designed to strengthen the institutional capacity of local governments in all Regions, to enable them to carry out their economic development functions, such program to consist of:

1. **IDF.** Development and update of an institutional development framework ("IDF") designed to guide local governments in the design and evaluation of specific development projects to strengthen their core administrative systems.

2. **IDP.** Development, on the basis of the IDF, and implementation, by local governments, of specific institutional development plans ("IDPs").

3. **IDP Grants.** Carrying out by local governments, through the provision of Sub-grants, of specific development projects, based on such governments' IDPs, to strengthen their core administrative systems, as required for proper public resource allocation for their socio-economic development.

4. **Additional IDP.** Development, on the basis of the IDF, and implementation, by local governments, of specific institutional development plans for all Regions ("Additional IDPs")

5. **Additional IPD Grants.** (a) Carrying out by local governments, through the provision of Sub-grants, of specific development projects, based on such
governments’Additional IDPs, to strengthen their core administrative systems, as required for proper public resource allocation for their socio-economic development; (b) carrying out of a program of works to put in place needed facilities; and (c) provision of required goods, equipment and technical assistance for the purpose.

Part C. Improving Citizen Participation in Local Governance

1. Oversight of Local Government Performance. Carrying out of a program to develop robust accountability and transparency practices within local government, through partnerships with selected NGOs, with the assistance of Association of Municipalities of Burkina Faso (“AMBF”), such program to include:

   (a) carrying out of communications campaigns to enhance understanding on the part of local government officials and local community members of the implications of decentralization and their role in local governance;

   (b) organization of public meetings at local community level on issues of economic development;

   (c) provision of training to local government officials to enhance their institutional capacities in government management;

   (d) monitoring and evaluation of local government performance; and

   (e) conduct of citizen surveys of local government performance.

2. Competitive Grants. (a) scaling up the development of a competitive grant-making program for local governments in all Regions which have demonstrated good performance in the areas of planning, financial management (budgeting and revenue collection practices), procurement, service delivery and monitoring and evaluation; and (b) financing, through the provision of Sub-grants to municipal governments throughout the Recipient’s territory selected under said program, of specific development projects to implement their local development plans.

3. Municipal Performance Tracking. (a) Development of an annual municipal tracking system aimed at providing a systematic assessment of municipal performance; (b) data collection and development of a municipal scorecard for performance; (c) provision of required technical assistance to the committee to be in charge of data collection in the SUPERMUN, including assistance for: (i) data collection and management; (ii) developing a technological and institutional platform for municipal performance monitoring; and (iii) facilitating the planning,
running and publishing the annual municipal performance scorecard in coordination with relevant actors.

4. **Partnerships with Community-Based Organizations ("CBOs").** (a) piloting of a CBOs partnership approach, through providing CBO Grants for Eligible CBOs to carry out awareness campaigns for citizens and governmental entities on the decentralization process importance; and (b) carrying out of an impact evaluation assessment and an implementation roadmap for the said partnership.

5 **Technical Assistance to the Association of Municipalities of Burkina Faso.** Carrying out a program of technical assistance to support AMBF and aimed at enhancing the coordination and capacity building of Project stakeholders, including *inter alia*: (a) establishing a social accountability platform in all Regions, consisting of civil societies and CBOs to promote citizen participation in municipal processes; (b) establishment of a legal framework between selected NGOs and Communes in Additional Regions, to enhance and facilitate citizen engagement in local decision making processes; and (c) capacity support to Communes in Additional Regions to promote citizen engagement.

Part D. **Project Management and Evaluation**

Project management, monitoring and evaluation (including carrying out of audits).
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. Steering Committee

The Recipient shall maintain throughout the period of Project implementation, a steering committee, with mandate, composition and resources satisfactory to the Association, which shall be chaired by the Secretary General of the Office of the Prime Minister ("Premier Ministère"), and shall be responsible for Project oversight.

2. PCU

(a) The Recipient shall maintain, throughout the period of Project implementation, a Project coordination unit ("PCU") within MTADS, with terms of reference and resources satisfactory to the Association, and supported by qualified and experienced staff in adequate numbers, to be responsible for overall Project coordination and management.

(b) Without limitation upon the provisions of paragraph (a) of this Section 2, the Recipient shall maintain, in accordance with the provisions of Section III of this Schedule, in the PCU, the following staff, whose qualifications, experience and terms of reference shall be satisfactory to the Association: (i) an environmental and social safeguards expert; and (ii) a monitoring and evaluation expert.

3. Project Implementation Manuals

(a) The Recipient shall update no later than three (3) months of Effective Date, in accordance with terms of reference acceptable to the Association and furnish to the Association, one or more proposed implementation manuals for the Project containing detailed: (i) administrative arrangements; (ii) procurement arrangements; (iii) financial management; (iv) monitoring and evaluation procedures and arrangements; (v) eligibility criteria and terms and conditions and procedures for preparation, approval and monitoring and evaluation, of Sub-projects and Sub-grants; and (vi) procedures for developing and implementing Safeguard Instruments.

(b) The Recipient shall: (i) furnish said manuals to the Association for review and approval; (ii) afford the Association a reasonable opportunity to exchange views with the Recipient on said manuals; and (iii) thereafter
adopt such Project implementation manuals as shall have been approved by the Association ("Project Implementation Manuals" or "PIM").

(c) The Recipient shall ensure that the Project is carried out in accordance with the Project Implementation Manuals, and shall not amend or waive any of its provisions without the prior written agreement of the Association.

(d) Notwithstanding the foregoing, in the event of any inconsistency between the provisions of the Project Implementation Manuals and those of the Financing Agreement, the provisions of the Financing Agreement shall prevail.

B. Anti-Corruption

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

C. Sub-projects

1. The Recipient shall make Sub-grants to Beneficiaries under Parts B.5 and C.2 of the Project, in accordance with eligibility criteria and procedures acceptable to the Association, which shall include the following:

(a) Beneficiaries shall be selected in accordance with eligibility criteria and procedures acceptable to the Association, as further detailed in the Project Implementation Manuals. Said eligibility criteria shall include: (i) each Beneficiary shall have prepared a participatory development of community development plan; (ii) published their budget information, including planned and actual expenditures; (iii) achieved at least 25% annual increase in local revenue mobilization; (iv) established a functional grievance redress system; and (v) regularly conducts at least two town hall meetings a year, attended by their respective region’s mayor, representatives of the national assembly, MATD and MINEFID.

(b) No proposed Sub-project shall be eligible for financing under a Sub-grant to a Beneficiary 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 Manuals, that:

(i) the proposed Sub-project: (A) is technically feasible and economically and financially viable; and (B) if, pursuant to the Safeguard Frameworks, one or more Safeguard Instruments for the Sub-project are required, such Safeguard Instruments have been prepared and approved by the Association in accordance
with the provisions of paragraph (c) of this Section 1.C.1 and all measures required to be taken in accordance with Section I.G of this Schedule 2 prior to commencement of the activities covered by the Safeguard Instruments, have been taken; and

(ii) the proposed Beneficiary: (A) is a local government ("commune") established and operating under the Local Government Legislation, with the organization, management, technical capacity and financial resources necessary to carry out the proposed Sub-project; (B) has prepared a satisfactory financing plan and budget, and a satisfactory implementation plan for the proposed Sub-project; and (C) in the case of a proposed Sub-project under Part B of the Project, is located in one of the Project's Regions.

(c) The maximum amount: (i) of Sub-grants to a single Beneficiary shall not exceed the equivalent of $800,000; (ii) of each Sub-grant for a Sub-project shall not exceed the lesser of: (A) the equivalent of (1) $200,000 in the case of a Sub-grant made under Part B of the Project; and (2) $25,000 in the case of a Sub-grant made under Part C of the Project; and (B) 100% of the total estimated cost of the Sub-project.

(d) The following Sub-grants 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:

(i) the first three (3) Sub-grants under Part B of the Project, regardless of cost;

(ii) each Sub-grant for a Sub-project under Part B of the Project estimated to cost the equivalent of $50,000 or more;

(iii) each Sub-grant for a Sub-project under Part C of the Project; and

(iv) each Sub-grant for a Sub-project requiring a Safeguard Instrument.

2. The Recipient shall make each Sub-grant under a Sub-grant agreement with the respective Beneficiary on terms and conditions approved by the Association, which shall include the following:

(a) The Sub-grant shall be made 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 Beneficiary to use the proceeds of the Sub-grant, or obtain a refund of all or any part of the amount of the Sub-grant then withdrawn, upon the Beneficiary's failure to perform any of its obligations under the Sub-grant Agreement; and

(ii) require each Beneficiary to:

(A) carry out its Sub-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 in accordance with the provisions of the Safeguard Frameworks (and any Safeguard Instrument required for the Sub-project pursuant to the Safeguard Frameworks), and the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient;

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

(C) procure the goods, works and services to be financed out of the Sub-grant in accordance with the provisions of Section III of this Schedule;

(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 Sub-project 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 its operations, including the operations, resources and expenditures related to the Sub-project; 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;
enable the Recipient and the Association to inspect the Sub-project, its operation and any relevant records and documents;

permit the Association to make the Sub-grant Agreement and all financial statements audited pursuant to subparagraph (E) of this paragraph (b) (ii) available to the public in accordance with the Association’s policies on access to information; and

prepare and furnish to the Recipient and the Association all such further information as the Recipient or the Association shall reasonably request relating to the foregoing.

3. The Recipient shall exercise its rights and carry out its obligations under each Sub-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, the Recipient shall not assign, amend, abrogate or waive any Sub-grant Agreement or any of its provisions.

D. CBO Grants

1. In order to achieve the objectives of Part C.4 (a) of the Project, the Recipient, through the PCU, shall provide CBO Grants for Eligible CBOs under a CBO Grant Agreement in accordance with eligibility criteria and procedures acceptable to the Association and further detailed in the PIM. Said eligibility criteria shall include, that each Eligible CBO has: (a) demonstrated experience and capacity, particularly through strong internal organizational capacity; (b) satisfactory track records of active involvement in commune affairs; (c) satisfactory experience in mobilizing citizens and other community groups; and (d) the ability to communicate and collaborate with other Eligible CBOs, and as further described in the PIM.

2. Each CBO Grant shall: (a) be in an amount acceptable to the Association and the Recipient; and (b) reflect the reasonable cost for carrying out awareness campaigns on decentralization.

3. No proposed Sub-project shall be eligible for financing under a CBO Grant to an Eligible CBO 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 Manuals, that:

(i) the proposed Sub-project: (A) is technically feasible and economically and financially viable; and (B) if, pursuant to the Safeguard Frameworks, one or more Safeguard Instruments for the Sub-project are
required, such Safeguard Instruments have been prepared and approved by the Association in accordance with the provisions of paragraph (c) of this Section I.D.1 and all measures required to be taken in accordance with Section I.G of this Schedule 2 prior to commencement of the activities covered by the Safeguard Instruments, have been taken; and

4. The Recipient shall make each CBO Grant under a CBO Grant agreement with the respective Eligible CBO on terms and conditions approved by the Association, which shall include the following: (a) The CBO Grant shall be made on a non-reimbursable grant basis; and (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 Eligible CBO to use the proceeds of the CBO Grant, or obtain a refund of all or any part of the amount of the CBO Grant then withdrawn, upon the said Eligible CBO's failure to perform any of its obligations under the Sub-grant Agreement; and

(ii) require each Eligible CBO to: (A) carry out its Sub-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 in accordance with the provisions of the Safeguard Frameworks (and any Safeguard Instrument required for the Sub-project pursuant to the Safeguard Frameworks), and 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 and services to be financed out of the CBO Grant in accordance with the provisions of Section III of this Schedule; (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 CBO 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 its operations, including the operations, resources and expenditures related to the Sub-project; 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, represented by the PCU, and the Association to inspect the Sub-project, its operation and any relevant records and documents; (G) permit the Association to make the Sub-grant Agreement and all financial statements audited pursuant to subparagraph (E) of this paragraph (b) (ii) available to the public in
accordance with the Association’s policies on access to information; and (H) prepare and furnish to the Recipient and the Association all such further information as the Recipient or the Association shall reasonably request relating to the foregoing.

(iii). The Recipient shall exercise its rights and carry out its obligations under each CBO 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, the Recipient shall not assign, amend, abrogate or waive any CBO Grant Agreement or any of its provisions.

E. Cooperation Agreement

1. To facilitate the carrying out of Part C.1 of the Project, the Recipient shall no later than three (3) months of Effective Date enter into and thereafter maintain a cooperation agreement with AMBF, under the terms and conditions approved by the Association ("Cooperation Agreement").

2. The Recipient shall under the Cooperation Agreement, cause AMBF, to assist as further provided under the Project Implementation Manuals, in the overseeing of technical implementation and management of its respective part of the Project with competent staff in adequate numbers and with terms of reference, qualification and experience satisfactory to the Association, as further detailed in the Project Implementation Manuals.

3. The Recipient, through the PCU, shall exercise its rights under the Cooperation Agreement in a manner as to protect the interest of the Recipient and the Association. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Cooperation Agreement or any of its provisions. In case of any conflict between the terms of the Cooperation Agreement and this Agreement, the terms of this Agreement shall prevail.

F. Annual Work Programs

1. The Recipient in cooperation with the Prime Minister’s Office, MINEFID and MATD, shall, not later than November 30 in each calendar year, prepare and furnish to the Association, a program of activities proposed for inclusion in the Project during the following calendar year, including: (a) a detailed timetable for the sequencing and implementation of said activities; (b) the types of expenditures required for such activities and a proposed financing plan for such expenditures (including counterpart funds to be provided by the Recipient for each quarter during said following calendar year); (c) the planned procurement methods for the expenditures; and (d) each Safeguard Instrument required for any such activities
pursuant to Sections I.C, I.D and I.G of this Schedule and the measures proposed to be carried out under such Safeguard Instrument.

2. The Recipient shall exchange views with the Association on each such proposed annual work program, and shall thereafter, provide the required financing for, and carry out, such program of activities for such following year as shall have been agreed between the Recipient and the Association ("Annual Work Program").

3. Only those activities which are included in an Annual Work Program shall be included in the Project.

4. The Recipient shall ensure that in preparing any training or workshops proposed for inclusion in the Project under an Annual Work Program, it shall include in the proposed Annual Work Program: (a) the objective and content of the training or workshop envisaged; (b) the selection method of the institutions or individuals conducting such training or workshop, and said institutions if already known; (c) the expected duration and an estimate of the cost of said training or workshops; and (d) the selection method of the personnel who will attend the training or the workshop, and said personnel if already known.

5. The Recipient shall:

(a) not later than three (3) months after the Effective Date, open and thereafter at all times throughout the Project period, maintain in a financial institution and on terms and conditions acceptable to the Association, an account into which the Recipient shall deposit all counterpart funds required for the Project ("Counterpart Funds Account");

(b) without limitation upon the provisions of Section 4.03 of the General Conditions, deposit into the Counterpart Funds Account prior to the commencement of each calendar quarter, the amount of counterpart funding agreed with the Association to be provided for such quarter pursuant to the Annual Work Program covering such quarter (or such other amount as the Association may agree, based on the quarterly interim unaudited financial report for the Project provided by the Recipient for the preceding quarter in accordance with the provisions of Section II of this Schedule); provided, however, that the first deposit shall be made not later than three (3) months after the Effective Date; and

(c) ensure that all amounts deposited in the Counterpart Funds Account shall be used exclusively to pay for expenditures included in the Annual Work Program.
G. Safeguards

1. General. The Recipient shall ensure that the Project is carried out in accordance with the Safeguard Frameworks and all Safeguard Instruments.

2. Safeguards Instruments. To that end, the Recipient shall take the following measures:

(a) If any activities included in a proposed Annual Work Program would, pursuant to the ESMF, require the carrying out of an EA, no such activities shall be implemented unless and until:

(i) an EA for such activities has been: (A) prepared, in accordance with the ESMF and furnished to the Association as part of the Annual Work Program; (B) disclosed locally as required by the ESMF; and (C) approved by the Association and publicly disclosed; and

(ii) if said EA would require the preparation of an EMP, such EMP has been: (A) prepared in accordance with such EA and furnished for the Association as part of the Annual Work Program; (B) disclosed locally as required by the ESMF; and (C) approved by the Association and publicly disclosed.

(b) If any activities included in a proposed Annual Work Program would, pursuant to the RPF, require the carrying out of a RAP, no such activities shall be implemented unless and until:

(i) a RAP for such activities has been: (A) prepared in accordance with the requirements of the RPF and furnished to the Association as part of the proposed Annual Work Program; (B) disclosed as required by the RPF; and (C) approved by the Association; and

(ii) (A) all measures required to be taken under said RAP prior to the initiation of said activities have been taken; (B) a report, in form and substance satisfactory to the Association, on the status of compliance with the requirements of said RAP has been prepared and furnished to the Association; and (C) the Association has confirmed that said activities may be commenced.

(c) Without limitation upon its other reporting obligations under this Agreement, the Recipient shall, for each applicable Safeguards Instrument, regularly collect, compile and furnish to the Association reports in form and substance satisfactory to the Association, on the status of compliance with each applicable Safeguards Instrument, as part of the Project Reports, giving details of:
(i) measures taken in furtherance of such Safeguards Instrument;

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

(iii) 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.

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 one month 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. 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. The Recipient shall no later than one (1) month of Effective Date, recruit and thereafter maintain an accountant and a disbursement assistant at the PCU, both with experience and terms of reference satisfactory to the Association.
Section III. Procurement

All goods, works, non-consulting services and 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 the Procurement Regulations and the provisions of the Procurement Plan.

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, works, non-consulting services, consulting services and Training and Workshops and Operating Costs for the Project except Parts C.2, C.4(a), B.3 and B.5 of the project.</td>
<td>19,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works, non-consulting services, consulting services and Training and Workshops required for Sub-projects under Part B.5, Part C.2 of the Project.</td>
<td>23,600,000</td>
<td>100% and 100% of amounts disbursed under Sub-projects.</td>
</tr>
<tr>
<td>(3) CBO Grants under Part C.4(a) of the Project.</td>
<td>800,000</td>
<td>100% of amounts disbursed under CBO Grants.</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>43,400,000</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 for payments made prior to the date of this Agreement, except:

(a) under Category (1) and (2), until the amounts allocated for said Categories under the Original Financing Agreement have been disbursed or committed in full.

2. The Closing Date is October 1, 2021.

Section V. Other Undertakings:

Without limitation upon the provisions of Section 4.03 of the General Conditions, the Recipient has agreed to contribute an amount equivalent to USD 10,000,000 as a counterpart contribution to finance activities of the Project ("Counterpart Funds"). These Counterpart Funds shall be included in the Annual Work Program for the Project.
APPENDIX

Section I. Definitions


2. "AMBF" means the Association of Municipalities in Burkina Faso, established 1995 by national legislation.


4. "Annual Work Program" means each annual work program prepared by the Recipient and approved by the Association in accordance with the provisions of Section I.F of Schedule 2 to this Agreement.

5. "Beneficiary" means a local government ("commune") to which the Recipient has made or proposes to make a Sub-grant for a Sub-project; and "Beneficiaries" means more than one Beneficiary.

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

7. "CBO Grant Agreement" means each agreement referred to in Section I.D.4 of Schedule 2 to this Agreement pursuant to which the Recipient shall make a CBO Grant out of the proceeds of the Financing available to an Eligible CBO to carry out a Sub-project.

8. "CBO Grant" means the grant provided for Eligible CBOs to carry out Sub-projects in accordance with Section I.D of Schedule 2 to this Agreement; and "CBO Grants" means more than one "CBO Grant".

9. "Counterpart Funds Account" means the account to be opened and maintained by the Recipient in accordance with the provisions of Section I.F.5 of Schedule 2 to this Agreement.

10. "Eligible CBO" means a community based organization eligible to a CBO Grant under Part C.(4)(a) of the Project in accordance with eligibility criteria and procedures set forth in the PIM; and "Eligible CBOs" means more than one "Eligible CBO".
11. "Environmental and Social Management Framework" and "ESMF" each means the Recipient’s framework for identification and management of environmental and social issues that may arise under the Project, and set forth in the document entitled “Plan de Gestion Environnementale et Sociales” and adopted on September 6, 2011 and updated on May 10, 2017.

12. "Environmental Assessment" and "EA" each means, for a given activity under the Project, the environmental assessment carried out pursuant to the ESMF in accordance with the provisions of Section I.E of Schedule 2 to this Agreement.

13. "Environmental Management Plan" and "EMP" each means, for a given activity under the Project, the environmental management plan (if required pursuant to the EA for such activity and the ESMF), prepared pursuant to said EA and ESMF in accordance with the provisions of Section I.E of Schedule 2 to this Agreement.


16. "MINEFID" means the Recipient’s ministry known as “Ministère de l’Economie et des Finances”, responsible for finance, and any successor thereto.

17. "Ministry of Territorial Administration, Decentralization and Security" and "MTADS" each means the Recipient’s ministry, known as “Ministère de l’Administration Territorial de la Décentralisation et de la Sécurité”, responsible for decentralization, and any successor thereto.

18. "NGOs" mean selected non-governmental organizations for the purposes of Part C of the Project.

19. "Operating Costs" means the incremental expenses incurred on account of Project implementation, consisting of reasonable expenditures for vehicle operation and maintenance, communication and insurance costs, banking charges, rental expenses, office (and office equipment) maintenance, utilities, document duplication/printing, consumables, travel cost and per diem for Project staff for travel linked to the implementation of the Project, and salaries of contractual staff for the Project (but excluding salaries of officials of the Recipient’s civil service).

20. “Original Project” means the Project Description provided in Schedule 1 of the Original Financing Agreement, as amended, between the Recipient and the Association, dated December 8, 2011.
21. "Original Regions" means the Recipient’s regions of Cascades, Sahel, Centre Nord, Centre Sud, Centre Est and Plateau Central.

22. "Parliamentary Network" means a network established by a group of Parliamentarians advocating for local government rights in the National Parliament (réseau parlementaire sur la décentralisation).

23. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated June 14 and provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the Association.


25. “Project Coordination Unit” and “PCU” each means the Project coordination unit to be operationalized and maintained by the Recipient in accordance with the provisions of Section I.A.2 of Schedule 2 to this Agreement.

26. “Project Implementation Manuals” and “PIM” each means the implementation manuals for the Project to be approved by the Association and adopted by the Recipient in accordance with the provisions of Section I.A.3 of Schedule 2 to this Agreement.

27. “Resettlement Action Plan” and “RAP” each means, for a given activity under the Project which requires, pursuant to the RPF, involuntary resettlement, the resettlement action plan for such activity prepared pursuant Section I.E.2(b) of Schedule 2 to this Agreement, in accordance with the RPF.


29. “Safeguard Frameworks” means, collectively the ESMF and RPF, and “Safeguard Framework” means either of the Safeguard Frameworks, as the context may require.

30. “Safeguard Instruments” means with respect to a particular activity under the Project, collectively, all EAs, EMPs and RAPs applicable to said activity, and "Safeguard Instrument" means one of the Safeguard Instruments, as the context may require.
31. "Steering Committee" means the committee established under the Original Financing Agreement in accordance with Section I.A.1 of Schedule 2 of this Agreement.

32. "Regions" means the Original and Additional Regions.

33. "Sub-grant" means a grant made or proposed to be made by the Recipient to a Beneficiary out of the proceeds of the Financing to assist in financing a Sub-project.

34. "Sub-grant Agreement" means each agreement referred to in Section I.C.2 of Schedule 2 to this Agreement pursuant to which the Recipient shall make a Subgrant out of the proceeds of the Financing available to a Beneficiary to carry out a Sub-project.

35. "Sub-project" means a specific development project to be carried out by a Beneficiary, or an Eligible CBO. under Part B (3) or Part C(2) or Part C(4)(a) of the Project utilizing the proceeds of a Sub-grant or a CBO Grant, as applicable.

36. "SUPERMUN" means the official system of municipal performance data for performance tracking and evaluation (le système de suivi des performances municipals).

37. "Training and Workshops" means the reasonable costs associated with training and workshop participation under the Project, consisting of scholarships for trainees, travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, and preparation and reproduction of training materials.