
GRANT NUMBER D049-BI

Financing Agreement

(Strengthening Institutional Capacity for Government Effectiveness Project)

between

REPUBLIC OF BURUNDI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated *April 1st*, 2016

GRANT NUMBER D049-BI

FINANCING AGREEMENT

AGREEMENT dated April 01, 2016, 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 fifteen million seven hundred thousand Special Drawing Rights (SDR 15,700,000) ("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 October 15 and April 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 MFPDE 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 at any time before the Disbursement Deadline Date, the Recipient has failed, in the opinion of the Association, to apply standards or implement measures consistent with international good practice to ensure the environmentally and socially sustainable management of all mining operations in its jurisdiction that have commenced or are materially revised subsequent to the date of this Agreement.
- 4.02. The Co-financing Deadline for the effectiveness of the Co-financing Agreement is December 31, 2016.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) The Recipient has established the Project Technical Steering Committee in accordance with the provisions of Section I.A.1 of Schedule 2 to this Agreement.
 - (b) The Recipient has recruited to the PFRIU, a project manager, a national procurement specialist, a financial management specialist, an accountant, a treasurer, a monitoring and evaluations specialist, and assistant to the project manager with qualifications, experience, and terms of reference satisfactory to the Association, in accordance with Section I.A.2(b)(i) of Schedule 2 to this Agreement.
 - (c) The Recipient has adopted the Project Implementation Manual in accordance with Section I.C of Schedule 2 to this Agreement.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.03. 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 years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

6.02. The Recipient's Address is:

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

Facsimile: +257-22-22-38-27

6.03. The Association's Address is:

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

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI)

1-202-477-6391

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

REPUBLIC OF BURUNDI

By



Authorized Representative

Name: TABU ABDALLAH
NANKAKIZA

Title: MINISTER

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: NESTOR COFFI

Title: COUNTRY MANAGER

SCHEDULE 1

Project Description

The objective of the Project is to strengthen the Recipient's institutional capacity to improve fiscal management.

The Project consists of the following parts:

Part A: Modernizing Revenue Policy and Administration

Carrying out of a program of activities to stabilize the Recipient's fiscal policy by anchoring it to a medium to long term tax policy strategy and strengthening the capacity of the MFPED in the monitoring and reporting activities on said fiscal policy through, *inter alia*:

1. Strengthening of tax policy functions at the MFPED including, *inter alia*,
(a) (i) support towards the reviewing and analyzing of all existing tax policies, laws and regulations and their implementation effectiveness and
(ii) support towards the elaboration of a tax policy strategy and carrying out of stakeholder consultations for broad adoption of said strategy;
(b) consolidation and harmonization of all tax laws into a single tax code;
(c) support to the DPF in the design and implementation of a dissemination strategy on the tax policy strategy referred to in Part 1(a)(ii) and single tax code referred in Part 1(b) above and preparation and dissemination of reports on the implementation of the Recipient's tax policy and
(d) institutional review of the Recipient's directorate in charge of tax policy.
2. Strengthening of the Recipient's decision making process on tax policy through the elaboration of its tax forecasting module and impact simulation tools.
3. Implementation of an integrated tax administration and risk-based audit management system, including, *inter alia*, (a) improvement of the modernization strategy for OBR's department in charge of domestic taxes;
(b) purchase and installation of a new integrated tax administration system (ITAS) within OBR in line with OBR's business requirements, including support to OBR in the development of customized bidding documents for the procurement of said ITAS and assessment of bids received from potential vendors; (c) provision of training to OBR staff on ICT readiness and use of the ITAS; (d) design and implementation of OBR outreach activities to facilitate taxpayers understanding and use of new processes and procedures; (e) development of a risk-based audit system consistent



with the ITAS and the reinforcement of the capacity of OBR in the use thereof; (f) strengthening of human resource capacity in OBR regional offices and (g) support towards the development and implementation of information sharing initiatives between OBR and communes on local tax administration.

4. Development of effective collection practices for the Recipient's mining revenues, including, *inter alia*, (a) revision of the Recipient's mineral tax policies in accordance with the Mining Code and Mining Regulations; (b) carrying out of a value chain audit of the mining sector and use of said audit findings to improve mineral-related declaration procedures and protocols and related administrative capacity of OBR and MEM; (c) provision of training to selected staff of DFP, OBR and MEM to support their mining taxation and accounting functions and (d) design and dissemination of a guide on the Mining Code, Mining Regulations and associated mining tax policy.

Part B: Strengthening the Public Expenditure Management and Control; Project Management

1. (a)(i) Strategic support to the PFRIU to implement the priority public finance reforms as defined in the PFM Strategy Document; and (ii) support to the PFRIU in Project coordination, management and monitoring, preparation of financial audits and periodic evaluations, including, *inter alia*, recruitment of requisite staff, purchase of equipment, and provision of Training, audits, and monitoring and evaluation activities; and (b) carrying out of demand-driven diagnostic and analytical studies linked to policy reforms supported by the Association's development policy lending instrument.
2. Support to the roll-out of new IFMIS software within MFPED and training of relevant staff in the use thereof.
3. Piloting of program-based budgeting in three selected ministries of the Recipient.
4. Strengthening of the Recipient's external audit institutions in the implementation of their functions, including, *inter alia*, (a) carrying out of an institutional and functional audit to improve the legal and regulatory framework of the Court of Auditors; (b) provision of applicable training to and reinforcement of capacity of the Court of Auditors; (c) strengthening of coordination between the Court of Auditors and the finance committees of the Recipient's parliament; and (d)(i) development of a national curriculum to enable national qualifications for professional accountants and auditors, in line



with international standards; and (ii) establishment of a training program for local accounting professional members of the OPC.

Part C: Improving ISTEERU Institutional Capacity

Carrying out of a program of activities aimed at improving the institutional capacity of the Recipient's institute dedicated to statistics analysis and economic studies including, *inter alia*:

1. (a) Training of ISTEERU senior and middle management on results-based performance management; (b) development of a 2016-2020 national strategy for the development of statistics; (c) design of annual work plans for ISTEERU and (d) annual assessment of the implementation of the annual work plans referred to in Part C.1(c) above.
2. Strengthening of ISTEERU human resources management system, including, *inter alia*, (a) carrying out of an institutional and functional review of ISTEERU; (b) carrying out of customized training modules for the professionalization of statisticians; and (c) development and implementation of a performance appraisal system and performance incentive mechanism.
3. Provision of technical assistance to enhance the production of timely and quality national accounts, price and trade statistics.
4. Enhancement of data access, national statistics dissemination and statistics awareness activities, including the upgrading of ISTEERU's website and connectivity.

Part D: Improving Mining Regulatory Capacity and Practices

Carrying out of a program of activities aimed at improving the Recipient's mining regulatory capacity and practices including, *inter alia*:

1. (a) carrying out of an institutional and functional review of the mining departments within MEM; (b) development and implementation of a performance-based human resources management system in MEM; (c) minor refurbishment and equipping of MEM offices; (d) development and implementation of a communications strategy, including the set-up and maintenance of MEM's website; and (e) support towards the negotiations of mineral development agreements.
2. Implementation of a program of activities aimed at mainstreaming good practices in artisanal mining and improving the capacity of MEM in



promoting sustainable artisanal mining including: (a) development of a mines inspection form and enforcement procedures consistent with international best practice on artisanal and small scale mining; the training of relevant staff in the use thereof and carrying out of related workshops on artisanal and small-scale mining; and (b) provision of equipment to mine inspectors in regional offices of MEM.

3. Implementation of measures to improve mineral data quality and accessibility, including, *inter alia*, (a) implementation of mineral traceability systems within MEM; (b) establishment and maintenance of an online mineral database; and (c) facilitation of south-south knowledge exchange and study tours.

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SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. Project Technical Steering Committee.
 - (a) The Recipient shall establish and maintain, at all times during the implementation of the Project, a Project technical steering committee with a mandate, composition and resources satisfactory to the Association ("Project Technical Steering Committee").
 - (b) Without limitation upon the provisions of paragraph (a) of Section I.A.1 of this Schedule 2, the Project Technical Steering Committee shall be chaired by the permanent secretary of MFPED with the coordinator of PFRIU as vice chair, and shall be comprised of, *inter alia*, OBR's commissioner in charge of domestic taxes, director of the Recipient's department responsible for tax policy, MFPED general director of programming and budget, general director of ISTEERBU, permanent secretary of MEM and president of the Court of Auditors.
 - (c) The Project Technical Steering Committee shall meet at least semi-annually and shall be responsible for Project oversight, including *inter alia*: (i) reviewing the proposed Annual Work Plans and Budgets for the Project, (ii) providing overall Project oversight and strategic guidance and (iii) identifying necessary Project adjustments based on monitoring and evaluation reports.
2. Project Implementation Unit
 - (a) The Recipient shall maintain at all times until the completion of the Project, the Project Finance Reform Implementation Unit within the MFPDE with terms of reference and resources satisfactory to the Association ("PFRIU").
 - (b) Without limitation upon the provisions of Paragraph (a) of Section I.A.2 of this Schedule 2, the PFRIU shall at all times: (i) be comprised of qualified and experienced personnel in adequate numbers, and to this end, recruit, *inter alia*, a project manager, a national procurement specialist, a financial management specialist, an accountant, a treasurer, a monitoring and evaluations specialist, and an assistant to the project manager, in



accordance with Section III of this Schedule 2, all with qualifications and terms of reference acceptable to the Association; (ii) be responsible for the day-to-day Project coordination, including: (A) preparing proposed overall Annual Work Plan and Budget for the Project, updating the Procurement Plan and consolidating the Project reports; (B) carrying out all Project procurement activities including developing and maintaining a comprehensive procurement filing system for the Project; (C) coordination of monitoring and evaluation activities for the Project; and (D) facilitating adequate coordination with relevant stakeholders and alignment with sector strategies.

3. Inter-Ministerial Working Group

In order to ensure proper coordination for the implementation of Part A.4 of the Project, the Recipient shall establish and maintain, at all times during the implementation of the Project, an inter-ministerial working group with a mandate, composition and resources satisfactory to the Association, which shall: (a) be responsible for information exchange and monitoring of applicable Project activities related to mining taxation; (b) be comprised of, *inter alia*, representatives of OBR, BRB, ISTEERU, Recipient's directorate in charge of tax policy and the Recipient's general directorate of Geology and Mines; and (c) meet at least once every quarter ("Inter-Ministerial Working Group").

B. Anti-Corruption

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

C. Manual

1. The Recipient shall prepare, in accordance with terms of reference acceptable to the Association, a Project implementation manual, containing 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, evaluation, reporting and communication; and (e) 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 such manual, and shall thereafter adopt such manual as shall have been approved by the Association ("Project Implementation Manual").
3. The Recipient shall carry out the Project 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 of either one 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.

D. Annual Work Plans

1. Not later than November 15 in each calendar year (or one month after the Effective Date for the first year of Project implementation), the Recipient shall prepare 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 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.

E. Criteria for Diagnostic and Analytical Studies under Part B.1(b).

1. The Recipient shall ensure that any proposed activity under part B.1(b) shall be selected 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) the proposed activity: (i) is fully aligned with the objective of the Project; and (ii) fills a measurable gap in the implementation of the Recipient's reforms supported by the Association's development policy financing instrument.

