

CONFORMED COPY

CREDIT NUMBER 3270 RW

Project Agreement

(Agricultural and Rural Market Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

BANQUE NATIONALE DU RWANDA

Dated July 16, 1999

CREDIT NUMBER 3270 RW

PROJECT AGREEMENT

AGREEMENT, dated July 16, 1999 between the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and BANQUE NATIONALE DU RWANDA (BNR).

WHEREAS (A) by the Development Credit Agreement of even date herewith between Rwandese Republic (the Borrower) and the Association, the Association has agreed to lend to the Borrower an amount in various currencies equivalent to three million eight hundred thousand Special Drawing Rights (SDR 3,800,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that BNR agree to undertake such obligations toward the Association as are set forth in this Agreement; and

(B) by a subsidiary loan agreement to be entered into between the Borrower and BNR the proceeds of the Credit provided for under the Development Credit Agreement will be made available to BNR on terms and conditions set forth in said Subsidiary Loan Agreement; and

WHEREAS BNR in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

## ARTICLE II

### Execution of the Project; Management and Operations of BNR

Section 2.01. (a) BNR declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out part A.1 of the Project and conduct its operations and affairs, in accordance with sound financial standards and practices, with qualified and experienced management, and in accordance with its Statutes.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and BNR shall otherwise agree, BNR shall carry out Part A.1 of the Project in accordance with the Implementation Program for Part A.1 of the Project set forth in Schedule 1 to this Agreement.

Section 2.02. (a) For the purpose of carrying out Part A.1 of the Project, BNR shall provide to PFIs the equivalent of the Credit allocated to Part A.1 of the Project under Participation Agreements to be entered into between BNR and each PFI, under terms and conditions which shall have been approved by the Association and which shall include those set forth in Schedule 1 to this Agreement.

(b) BNR undertakes that, unless the Association shall otherwise agree, Sub-loans will be made in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 2 to this Agreement.

(c) BNR shall exercise its rights in relation to each Import Trading Project in such manner as to: (i) protect the interests of the Association and of BNR; (ii) comply with its obligations under this Agreement and the Subsidiary Loan Agreement; and (iii) achieve the purposes of the Project.

Section 2.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, BNR shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Association and BNR, a plan designed to ensure the continued achievement of the objectives of Part A.1 of the Project; and

(b) afford the Association reasonable opportunity to exchange views with BNR on said plan.

Section 2.04. BNR shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Association shall otherwise agree, BNR shall not take or concur in any action which would have the effect of assigning, amending, abrogating or waiving the Subsidiary Loan Agreement or any provision thereof.

Section 2.05. (a) BNR shall, at the request of the Association, exchange views with the Association with regard to the progress of Part A.1 of the Project, the performance of its obligations under this Agreement and under the Subsidiary Loan Agreement, and other matters relating to the purposes of the Credit;

(b) BNR shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of Part A.1 of the Project, the accomplishment of the purposes of the Credit, or the performance by BNR of its obligations under this Agreement and under the Subsidiary Loan Agreement;

(c) BNR shall prepare and furnish to the Association quarterly reports, beginning three months after the Effective Date, on the progress achieved in the execution of Part A.1 of the Project;

(d) BNR shall, together with the Borrower, review with the Association, at least once a year, progress in carrying out of Part A.1 of the Project, with a view to determining and effecting such changes as may be required to ensure the successful implementation of Part A.1. of the Project, including any adjustment required in the onlending terms and conditions. To that end, BNR shall furnish to the Borrower and the Association a report on the progress achieved in carrying out of Part A.1 of the Project, in such detail and at such times as the Association shall reasonably request; and

(e) BNR and the Association shall, no later than eighteen (18) months after the Effective Date, carry out a mid-term review of the progress achieved in implementing Part A.1 of the Project. For that purpose, BNR shall furnish to the Association a report in such detail as the Association shall reasonably request.

### ARTICLE III

#### Financial Covenants

Section 3.01. (a) BNR shall cause DPM to maintain procedures and records adequate to monitor and record the progress of Part A.1 of the Project and of each Import Trading Project (including its cost and the benefits to be derived from it) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of BNR.

(b) BNR shall cause DPM to:

(i) have its records, accounts and financial statements (balance sheets, statements) with respect to Part A.1 of the Project for each fiscal year audited, in accordance with appropriate auditing standards acceptable to the Association consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than four months after the end of each such year: A) certified copies of the financial statements referred to in paragraph (a) above for such year as so audited; and (B) an opinion on such statements and a report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning such records, accounts and financial statements and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

### ARTICLE IV

#### Effective Date; Termination Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association and of BNR thereunder shall terminate on the earlier of the following two dates:

(i) the date on which the Development Credit Agreement shall terminate; or

(ii) the date twenty years after the date of this Agreement.

(b) If the Development Credit Agreement terminates before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify BNR of this event.

Section 4.03. All the provisions of this Agreement shall continue in full force

and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE V

Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other addresses as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association:

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

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

248423 (MCI) or  
64145 (MCI)

For BANQUE NATIONALE DU RWANDA:

The Governor  
Banque Nationale du Rwanda  
P.O. Box 531  
Kigali, Rwandese Republic

Cable address:

22508 - 22589

Telex:

RWANDABANK

Telefax:

72551 - 78669

Section 5.02. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of BNR or by BNR on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by the Governor of BNR, or such other person or persons as BNR shall designate in writing, and BNR shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Jean-Louis Sarbib

Regional Vice President  
Africa

BANQUE NATIONALE DU RWANDA

By /s/ Eugene S. Kayihura

Authorized Representative

SCHEDULE 1

Implementation Program and Terms and  
Conditions of Participation Agreements

I. General Implementation Arrangements

1. BNR will receive an amount not exceeding one percent (1%) of the outstanding amount of Subloans from the interest paid by PFIs to cover its administrative and material expenses resulting from the management of the Subloans; this amount will be reviewed periodically by the Association and BNR to ensure that it covers the actual administrative and material expenses of BNR.

2. Under Part A.1 of the Project, BNR shall onlend funds to PFIs for the purpose of making Subloans for Import Trading Projects. The line of credit will be managed by BNR through DPM to which necessary power shall be delegated, inter alia, for approving the applications for refinancing from PFIs.

3. BNR shall, for the purposes of Part A.1 of the Project, provide adequate human and other resources to DPM satisfactory to the Association and in accordance with the Subsidiary Loan Agreement.

4. DPM shall, inter alia:

(i) ensure adherence by PFIs to established procedures in selecting eligible Import Trading Projects and application of appropriate standards for Subloan appraisals;

(ii) review eligibility criteria and authorize financing under Part A.1 of the Project for Import Trading Projects submitted by PFIs no later than 5 working days following receipt of the completed application packages;

(iii) ensure liaison between the Association, the Borrower and PFIs on matters related to the implementation of Part A.1 of the Project;

(iv) ensure, through PFIs, that potential beneficiaries are provided guidance in the preparation of Import Trading Projects;

(v) organize adequate training in project appraisal and supervision techniques for BNR staff assigned to the Project;

(vi) manage Subloan disbursement and collect all relevant documentation upon approval; and

(vii) cause to ensure that Import Trading Projects are adequately supervised by PFIs.

II. Eligibility Criteria, Accreditation of PFIs and Terms and Conditions of Participation Agreements

1. Eligibility Criteria and Accreditation. Any commercial bank, development bank or financial institution registered in the territory of the Borrower may apply for accreditation by BNR as a PFI. Said accreditation will be based on a review of the application by BNR based on the criteria described in subparagraphs (a) through (d) of this paragraph and approval by the Association. BNR may request from any bank that applies for accreditation such information as it deems necessary for the purpose of

conducting such review. If accreditation is not granted, the concerned institution shall be informed of the reasons and may reapply after complying with said criteria. Accreditation of a PFI shall become effective after conclusion of a Participating Agreement. Accreditation may be withdrawn in the event of failure of a PFI to comply with the requirements set forth below and other requirements specified in the Participation Agreements. To be eligible, a PFI shall:

- (a) be duly established and operating under the laws of the Borrower;
- (b) maintain a sound financial structure, a healthy portfolio, and the organization, management, staff and other resources required for the efficient carrying out of its activities;
- (c) conduct its affairs including interest rate policies in accordance with sound financial principles and practices; and
- (d) maintain a lending policy acceptable to the Association and BNR, suitable procedures and an adequate number of suitably qualified staff to enable it to effectively:
  - (i) appraise the financial, technical, and economic feasibility of Import Trading Projects and make Sub-loans to Import Trading Enterprises in accordance with said lending policy and on the basis of the criteria, procedures and terms and conditions set forth in Schedule 2 to this Agreement; and
  - (ii) supervise, monitor and report on the carrying out by Import Trading Enterprises of Import Trading Projects, including the procurement of goods and services.

2. Each Participation Agreement shall contain, inter alia, provisions requiring each PFI to:

- (a) comply at all times with the eligibility requirements set forth in the preceding paragraph;
- (b) exercise its rights in respect of Sub-loans in such a manner as to protect the interests of the Borrower, the Association and BNR and to comply with its obligations under the Participation Agreement in order to achieve the purposes of Part A.1 of the Project;
- (c) undertake not to assign, amend, abrogate or waive any of its agreements providing for Sub-loans or any provision thereof without the approval of BNR;
- (d) maintain records and accounts adequate to monitor and records the operations, resources, expenditures and progress of each Import Trading Project;
- (e) carry out the appraisal of the Import Trading Project in accordance with procedures acceptable to the Association, which shall include a review of the financial viability of the Import Trading Project, the financing plan and an assessment of the management capacity of the Import Trading Enterprise;
- (f) undertake to bear all credit risk relating to the extension of Subloans;
- (g) undertake to submit annually to BNR, independently audited and satisfactory financial accounts and statements; and
- (h) undertake to repay the principal and interest amounts due on any proceeds of the Credit that shall have been made available to it by BNR within a period that shall not exceed fifteen (15) months following the availability of such funds. ✓  
SCHEDULE 2 Terms and Conditions of Sub-loans and Import Trading Projects

1. Financial Terms of Sub-loans

- (a) Currency of Sub-loans. All Subloans shall be denominated in Francs Rwandais.

(b) Interest Rate. Each PFI shall be free to set the interest rate at which it will extend Subloans to Import Trading Enterprises.

(c) Maturities.

A PFI may set the maturities and grace periods of Subloans in accordance with its standard practice in this respect.

## 2. Conditions of Sub-loans

(a) Eligibility of Import Trading Enterprises. Unless otherwise agreed upon by the Association, an Import Trading Enterprise shall satisfy the following criteria to be eligible for a Subloan: the enterprise must: (i) be a legal or physical person lawfully engaged in business activities in the territory of the Borrower; (ii) have adequate technical expertise or experience in import or distribution activities involving agricultural inputs or products; (iii) possess adequate infrastructure and staff; (iv) have in place suitable administrative and financial management systems and procedures to execute the Import Trading Subproject; and (v) not be involved in any legal or financial dispute which would materially affect its ability to undertake the Import Trading Project.

(b) An Import Trading Enterprise shall contribute at least 30% of the cost of its Import Trading Project for its first Import Trading Project; 45% of such cost for its second Import Trading Project; 60% of such cost for its third Import Trading Project; and 75% of such cost for its fourth and any subsequent Import Trading Project.

(c) No expenditures for goods or services required for an Import Trading Project shall be eligible for financing out of the proceeds of the Credit unless the Association shall have authorized withdrawals from the Credit Account for the Subloan for such Import Trading Project and such expenditures shall have been made not earlier than ninety days prior to the date on which the Association shall have received the request and information required under paragraph 2(d) of this Schedule in respect of such Sub-loan.

(d) Each request by BNR for authorization to make withdrawals from the Credit Account in respect of a Sub-loan shall contain: a summary description of the Import Trading Enterprise and the Import Trading Project, including a description of the expenditures proposed to be financed out of the proceeds of the Credit, and the terms and conditions of the Sub-loan, including the schedule of amortization therefor.

(e) Sub-loans shall be made on terms whereby BNR shall obtain by appropriate legal means, rights adequate to protect the interests of the Association and BNR including, in the case of any Sub-loan, the right to:

(i) require the Import Trading Enterprise to carry out and operate the Import Trading Project with due diligence and efficiency and in accordance with sound technical, financial and managerial standards and to maintain adequate records;

(ii) require that: (aa) the goods and services to be financed out of the proceeds of the Credit shall be purchased at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts therefor, and (bb) such goods and services shall be used exclusively in the carrying out of the Import Trading Project;

(iii) inspect, by itself or jointly with representatives of the Association if the Association shall so request, such goods, works, plants and construction included in the Import Trading Project, the operation thereof, and any relevant records and documents;

(iv) require that: (i) the Import Trading Enterprise shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and (ii) without any limitation upon the foregoing, such

insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Credit to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Import Trading Enterprise to replace or repair such goods;

(v) obtain all such information as the Association or BNR shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Import Trading Enterprise and to the benefits to be derived from the Import Trading Project; and

(vi) suspend or terminate the right of the Import Trading Enterprise to the use of the proceeds of the Credit upon failure by such Import Trading Enterprise to perform its obligations under its contract with a PFI.

