

CONFORMED COPY

CREDIT NUMBER 2541 RW

Development Credit Agreement
(Private Sector Development Project)

between

RWANDESE REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 18, 1993

CREDIT NUMBER 2541 RW

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated November 18, 1993, between RWANDESE REPUBLIC (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Association has received a Private Sector Development Policy Statement, dated May 4, 1993 (the Policy Statement) from the Borrower describing a reform program to achieve the improvement of the private sector of the Borrower and declaring the Borrower's commitment to the execution of said program;

(C) Parts A and C3 of the Project will be carried out by Banque Nationale du Rwanda (BNR) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to BNR a portion of the proceeds of the Credit as provided in this Agreement; and

WHEREAS (D) the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Association and BNR;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the modifications set forth in Schedule 6 to this Agreement (the General Conditions), constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) "BACAR" means Banque Continentale Africaine au Rwanda;
- (b) "BNR" means Banque Nationale du Rwanda, the Borrower's Central Bank operating pursuant to the Borrower's Decree-Law No. 6/81, dated February 16, 1981 confirmed by the Borrower's Law No. 1/82 dated January 1982;
- (c) "DPM" means Directorate of Monetary Policy, of BNR;
- (d) "FSG" means Fonds Special de Garantie, the Guarantee Fund established by the Borrower, pursuant to Decree-Law No 04/78 dated February 9, 1978, as amended by the Law No. 9/1983 dated March 10, 1983;
- (e) "MICOMART" means Ministere du Commerce et de l'Industrie, the Ministry of Commerce and Industry of the Borrower;
- (f) "MINIJUST" means Ministere de la Justice, the Ministry of Justice of the Borrower;
- (g) "Investment" means an investment made or proposed to be financed by a PFI out of the proceeds of the Credit in an Investment Enterprise for an Investment Project;
- (h) "Investment Enterprise" means an enterprise to which a PFI proposes to make or has made a subloan or in which it proposes to make or has made an Investment;
- (i) "Investment Project" means a specific project to be carried out by an Investment Enterprise utilizing the proceeds of the Subloan or Investment;
- (j) "Participating Agreement" means any agreement entered into by BNR and a PFI pursuant to 3.01 (c) of this Agreement, whereby BNR will provide said PFI with funds for Subloans and Investments;
- (k) "PFI" or "Participating Financial Intermediary" means any one of the following: Banque Commerciale du Rwanda (BCR), Banque de Kigali (BK) and Banque Rwandaise de Developpement (BRD), or such other intermediary(ies), as may be added by BNR on the basis of eligibility criteria satisfactory to the Association, and with which BNR shall have entered into a Participating Agreement;
- (l) "PSSF" means Private Sector Support Fund, the fund to be established under Part B of the Project;
- (m) "Special Account" means any of the accounts referred to in Section 2.02 (b) of this Agreement.
- (n) "Subloan" means a loan made or proposed to be made by a PFI out of the proceeds of the Credit to an Investment Enterprise for an Investment Project;

(o) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and BNR pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Subsidiary Loan Agreement;

(p) "Project Agreement" means the agreement between the Association and BNR, of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement; and

(q) "Rwandese Franc" or "FRW" means the currency of the Borrower.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to eight million seven hundred thousand Special Drawing Rights (SDR 8,700,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of Parts A, B and C of the Project, respectively, open and maintain in dollars three special deposit accounts (Special Accounts A, B and C, respectively) in commercial banks on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1999 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on January 1 and July 1, each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each January 1 and July 1, commencing January 1, 2004 and ending July 1, 2033. Each installment to and including the installment payable on July 1, 2013 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. BNR is designated as representative of the Borrower in respect of Part A of the Project for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end:

- (i) shall carry out Parts B and C.1 and C.2 of the Project with due diligence and efficiency and in conformity with appropriate administrative and financial practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for such Parts of the Project; and
- (ii) without limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause BNR to perform all its obligations set forth in the Project Agreement, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable BNR to

perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without limitation upon the provisions of paragraph (a) of this Section, and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out Parts B and C.1 and C.2 of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) The Borrower shall relend to BNR, out of the proceeds of the Credit, the amount allocated to Category 1 of Schedule 1 to this Agreement under a subsidiary loan agreement entered into between the Borrower and BNR, under terms and conditions which shall have been approved by the Association and which shall include, inter alia, (i) an undertaking by BNR to make loans to PFIs under Participating Agreements to be entered into with each PFI for financing Investment Projects under Part A of the Project, under the terms and conditions specified in the Project Agreement; (ii) an undertaking by BNR that the proceeds of the Credit shall be relent to each PFI at a variable interest rate equal to the weighted average yield over the preceding three (3) months based on the twelve months deposit in commercial banks as determined by BNR, or such other reference rate as may be determined by agreement between the Borrower and BNR and satisfactory to the Association; (iii) an undertaking by BNR to reimburse the principal to the Borrower in fifteen equal annual installments starting five years after the Effective Date of this Agreement; (iv) an undertaking by BNR to collect and transfer to the Borrower all payments of interest and repayment of principal from PFIs under subloan agreements after retaining an amount not exceeding one percent (1%) of the outstanding principal from the interest paid by PFIs or such other amount as may be determined from time to time by agreement between the Borrower and the Association; and (v) the Borrower's undertaking to bear the foreign exchange risk.

(d) For the purpose of Part C.3 of the Project, the Borrower shall make available to BNR, as a grant, the amount specified in Category 3(b) of Schedule 1 to this Agreement.

(e) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

Section 3.02. During the execution of the Project, the Borrower shall, in consultation with the Association, periodically review the interest rates to be applied to subloans. Unless the Association otherwise agrees, the Borrower shall take appropriate measures in order to ensure that interest rates on lending remain, at all times, positive in real terms.

Section 3.03. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for Parts A, B and C of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.04. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Part A of the Project shall be carried out by BNR pursuant to Section 2.03 of the Project Agreement.

Section 3.05. (a) The Borrower shall conduct, no later than July 31, 1995, jointly with the Association, a mid term review on the implementation and management arrangement of the Project. Without limitation upon the generality of the foregoing, the review

shall, inter alia, cover the implementation and management aspects of the Project with particular reference to policy and institutional reform measures.

(b) For the purposes of monitoring the implementation and assessing the achievement of the Project, the Borrower shall, jointly with the Association, identify and use key indicators which shall relate, inter alia, to the implementation of the several components of the Project, its objectives, the supply response and delays in implementation.

(c) No later than one month prior to the mid term review referred to in (a) above, the Borrower shall furnish to the Association, for its comments, a report in such detail as the Association shall reasonably request, including an evaluation of the progress achieved in complying with Project implementation.

(d) The Borrower shall, promptly thereafter, carry out the recommendations stemming from the aforementioned review.

Section 3.06. The Borrower shall open and thereafter maintain a Project Account in a commercial bank acceptable to the Association, on terms and conditions acceptable to the Association and deposit into the Account RWF 1,500,000 as its contribution.

ARTICLE IV

Other Covenants

Section 4.01. The Borrower shall, no later than June 30, 1995, take all necessary measures for: (i) simplification of the procedures for authorization of unscheduled freight and passenger charter flights; and (ii) liberalization of air transport so as to eliminate monopoly and liberalize pricing.

Section 4.02. The Borrower shall, no later than December 31, 1993, take all necessary measures for: (i) eliminating dividend taxation; (ii) instituting official schedules of depreciation allowance and of a five-year tax credit allowance for operating losses of business firms; and (iii) allowing banks to deduct allocations to provisions for losses of nonperforming loans.

Section 4.03. The Borrower shall, no later than December 31, 1994, take necessary measures for authorizing the creation and functioning of private legal and paralegal professions, including notaries public, process-servers, liquidators and auctioneers.

Section 4.04. The Borrower shall, no later than December 31, 1994, take all necessary measures for the (a) simplification and liberalization of the requirements for forming business enterprises including procedures for registering such enterprises; (b) simplification and updating of the regime of negotiable financial and commercial instruments (including commercial papers and documentary titles), guaranties, secured transactions, sales, leasing and factoring; and (c) modernization of bankruptcy procedures.

Section 4.05. The Borrower shall, no later than December 31, 1994, take necessary measures for: (a) establishing a regime of free-zones for the purpose of export processing; and (b) improving the functioning of the labor market, inter alia, through: (i) abrogating the obligation of prior enrollment in the registry of jobs, (ii) elimination of work permits for nationals, (iii) setting a uniform minimum wage system, (iv) permitting wages and annual increases to be freely negotiated between the employer and the employee, (v) clarifying the rules governing overtime, and (vi) reducing the number of the various paid leaves.

ARTICLE V

Financial Covenants

Section 5.01. (a) The Borrower shall maintain or cause to be

maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Parts B, C.1 and C.2 of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Accounts B and C for each fiscal year audited, in accordance with appropriate auditing principles 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 six months after the end of each such year, a certified copy of the 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 said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special Accounts B or C was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE VI

Remedies of the Association

Section 6.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) A situation has arisen which shall make it improbable that the program set forth in the Policy Statement or a significant part thereof will be carried out;

(b) BNR shall have failed to perform any of its obligations

under the Project Agreement;

(c) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that BNR will be able to perform its obligations under the Project Agreement;

(d) The Statutes of BNR shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or financial condition of BNR or its ability to carry out its responsibilities under Parts A and C of the Project or to perform any of its obligations under the Project Agreement; and

(e) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of BNR or for the suspension of its operations.

Section 6.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraph (a) or (b) of Section 6.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower and BNR; and

(b) any event specified in paragraphs (c) and (d) of Section 6.01 of this Agreement shall occur.

ARTICLE VII

Effective Date; Termination

Section 7.01. The following event is specified as additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely that the Subsidiary Loan Agreement has been executed on behalf of the Borrower and BNR.

Section 7.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the Project Agreement has been duly authorized or ratified by BNR and is legally binding upon BNR in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and BNR and is legally binding upon the Borrower and BNR in accordance with its terms.

Section 7.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VIII

Representatives of the Borrower; Addresses

Section 8.01. Except as provided in Section 2.09 of this Agreement, the Minister responsible for Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
P.O. Box 158

Kigali
Rwandese Republic

Cable address: MINIFIN-RWANDA
Telex: 22687 MINIFIN-RW

Facsimile:
77581

For the Association:

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

Cable address: INDEVAS
Washington, D.C.
Telex: 248423 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

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.

RWANDESE REPUBLIC

By /s/ Aloys Uwimana
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V. K. Jaycox
Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Subloans under Part A of the Project	5,040,000	100% of amounts disbursed by PFIs
(2) Part B of the Project:		

(a)	Consulting services for private sector promoters for Part B.3	1,080,000	100%
(b)	Consulting services and training for Part B.1 and B.2	290,000	100%
(c)	Vehicles, office equipment and operating cost	360,000	100% of foreign expenditures and 90% of local expenditures
(d)	Operational audit	70,000	100%
(3)	Part C of the Project:		
(a)	Consulting services and training for Part C.1 and C.2	830,000	100%
(b)	Consulting services and training for Part C.3	210,000	100%
(c)	Vehicles and office equipment	320,000	100% of foreign expenditures and 90% of local expenditures
(d)	Audit	70,000	100%
(4)	Unallocated	430,000	
	TOTAL	8,700,000	=====

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the term "operating costs" means costs of: (i) maintenance and operation of equipment, vehicles and furniture; and (ii) acquisition of office supplies for Project implementation, and office rental for the PSSF.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; (b) Category (1) unless: (i) any one of the Participating Agreements between BNR and any one of the PFIs has been concluded; (ii) FSG has validated and paid all legitimate pending claims on loans it has guaranteed and that are under litigation, and FSG's by-laws have been revised to

rationalize and improve its procedures, to eliminate the legal ambiguities, and to ensure that banks exercise due diligence in supervision of guaranteed credits and exhaust all remedies required before requesting its intervention; (c) Category (2), unless the Borrower has: (i) recruited an international expert to manage the PSSF, in accordance with the provision of Section II of Schedule 3 to this Agreement; (ii) adopted and published, in at least one newspaper, the rules and procedures of the PSSF, satisfactory to the Association; and (iii) opened and deposited its initial contribution into the Project Account referred to in Section 3.06 of this Agreement; (d) Category (3) (c), unless an expert to head the policy team at the MICOMART is selected; (e) Category (3) (a), unless: (i) the Borrower has promulgated a law establishing the Tribunal of Commerce and has appointed a qualified and experienced lawyer as the President of the Tribunal of Commerce; (ii) the text regarding the organization and functioning of the Tribunal of Commerce has been adopted; and (iii) a timetable acceptable to the Association for settling pending disputes related to the bank loans has been prepared by the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (i) support private sector led economic growth and employment creation; (ii) support efforts to improve and strengthen the legal and institutional environment in which businesses operate; (iii) enhance the investment climate and export incentives; and (iv) ensure access to managerial and technical support and specific facilities of investment financing for the private sector.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Credit

A line of credit for financing investments by new and existing enterprises through the Participating Financing Intermediaries.

Part B: Private Sector Support Fund

Provision of support to the private sector to enhance its performance and competitiveness, including:

1. establishment of a Private Sector Support Fund;
2. organization of entrepreneurship development seminars; and
3. financing of consulting services on management, technical and related matters to private sector companies on a cost-sharing basis.

Part C: Institution Strengthening and Capacity Building

1. (a) Improving the implementation and supervision capabilities of MICOMART, including the provision of equipment, training programs and consultants' services to implement agreed policies and to coordinate private sector development actions.

(b) Review of legislation governing the creation, registration and functioning of commercial and business enterprises, bankruptcy law, labor law and other related laws that impact on private sector development.

2. (a) Establishment of a Tribunal of Commerce.

(b) Assistance for strengthening and upgrading the processing and administrative capabilities of the Tribunal of Commerce through: (i) acquisition of filing equipment and of word and data processing equipment, books and journals; (ii) transfer of commercial registry to the Tribunal of Commerce and reorganization

and computerization of its archives; and (iii) training of magistrates, auxiliaries and staff of the Tribunal of Commerce.

(c) Assistance for the preparation of a framework for the creation, privatization and training of legal and paralegal professions.

3. Provision of consulting services and training of BNR and PFI staff.

* * *

The Project is expected to be completed by December 31, 1998.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines). For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Bank, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

2. To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$100,000 or more.

3. All goods procured under contracts awarded in accordance with procedures set forth in Part A above shall be exempted from price verification under preshipment inspection.

Part B: Preference for Domestic Manufactures

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in the Rwandese Republic may be granted a margin of preference in accordance with the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. All items or groups of items estimated to cost the equivalent of \$50,000 or more per contract may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Vehicles, desk computers and office equipment estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$580,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part D: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract estimated to cost the equivalent of \$750,000 or more for procurement relating to Part A of the Project and estimated to cost the equivalent of \$80,000 or more for all other procurement, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

1. In order to assist the Borrower in carrying out the Project, the Borrower shall employ experts and consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines).

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than \$100,000 equivalent each. However, this exception to prior Bank review shall not apply to the terms of reference for such contracts nor to the employment of individuals, to single source selection of firms, to assignments of a critical nature as reasonably determined by the Bank and to amendments of contracts raising the contract value to \$100,000 equivalent or above.

SCHEDULE 4

Implementation Program

1. The MICOMART shall be responsible for overall coordination of Parts B, and C.1 of the Project.

2. The MINIJUST shall be responsible for implementing Part C.2 of the Project.

3. The BNR shall be responsible for implementing Parts A and C.3 of the Project.

4. MICOMART, BNR, and MINIJUST shall submit to the Association for its review and comment, annual reports on the implementation of Parts A, B and C of the Project.

5. Unless otherwise decided upon jointly by the Borrower and the

Association, for the purpose of Part B of the Project, the Borrower shall ensure the following:

- (i) under the general supervision of MICOMART, the PSSF shall be managed by a Project Manager;
- (ii) the PSSF shall provide matching grants to private promoters to finance the cost of short-term consulting services, not to exceed 30 days. All private sector enterprises, including parastatal with majority private ownership and management, excluding firms employing more than 250 permanent staff and firms with more than 20% foreign companies participation, and promoters shall be eligible to receive grants, as many times as required, but according to a declining schedule and for cumulative consulting fees not to exceed \$100,000 per beneficiary;
- (iii) private promoters shall benefit from specialized training seminars against payment of a nominal fee which shall cover 10% of costs;
- (iv) the PSSF shall be subjected to biyearly operational audits during the first two years of the Project;
- (v) the PSSF shall finance equally local and international experts; and
- (vi) the PSSF shall apply the cost-sharing scheme indicated below:

Cumulative Consulting Cost	PSSF	Beneficiary
Up to \$10,000	70%	30%
\$10,001 to \$50,000	50%	50%
\$50,001 to \$100,000	30%	70%

6. The PSSF shall be reviewed after the first year of its operations to assess its adherence to the rules and procedures referred to in paragraph 5 above, and to evaluate its actual impact on the beneficiaries-enterprises. The Borrower and the Association shall analyze the results of the said evaluation and shall promptly take into account the results of such a review before deciding upon the continuation of the PSSF.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means: (i) in the case of Special Account A, Category 1 and Category 3 (b) set forth in the table in Paragraph 1 of Schedule 1 to this Agreement; (ii) in the case of Special Account B, Category 2 of said table; and (iii) in the case of Special Account C, Category 3 (a), (c) and (d) of said table;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means: (i) an amount equivalent to \$500,000 to be withdrawn from the Credit Account and deposited into Special Account A; (ii) an amount equivalent to \$200,000 to be withdrawn from the Credit Account and deposited into Special Account B; and (iii) an amount equivalent to \$100,000 to be

withdrawn from the Credit Account and deposited into Special Account C, all pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that a Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b)(i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify; and

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be

made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 6

Modifications of the General Conditions

For purposes of this Agreement, the provisions of the General Conditions are modified as follows:

(1) The last sentence of Section 3.02 is deleted.

(2) The following subparagraph is added to Section 2.01:

"15. The term 'Project Agreement' has the meaning set forth in paragraph (b) of Section 1.02 of the Development Credit Agreement."

(3) The words "the Association may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Credit shall be cancelled" set forth at the end of Section 6.03 are deleted and the following is substituted therefor:

"or (e) by the date specified in sub-paragraph 3 (c) of Schedule 2 to the Project Agreement, the Association shall, in respect of any portion of the Credit: (i) have received no applications or requests permitted under sub-paragraphs (a) or (b) of said paragraph; or (ii) have denied any such applications or requests, the Association may, by notice to the Borrower, terminate the right to submit such applications or to make withdrawals from the Credit Account, as the case may be, with respect to such amount or portion of the Credit. Upon the giving of such notice, such amount or portion of the Credit shall be cancelled."

