

CONFORMED COPY

**CREDIT NUMBER 3499-RW
GRANT NUMBER H3630-RW**

Financing Agreement

(Additional Financing for Competitiveness and Enterprise Development Project)

between

REPUBLIC OF RWANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 24, 2008

CREDIT NUMBER 3499-RW
GRANT NUMBER H3630-RW

FINANCING AGREEMENT

AGREEMENT dated July 24, 2008, entered into between REPUBLIC OF RWANDA (“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, in the Original Financing Agreement, or in the Appendix to this Agreement.
- 1.03. The Original Financing Agreement is amended as set out in Section II of 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 three million eight hundred thousand Special Drawing Rights (SDR 3,800,000) (“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 The Maximum Commitment Charge Rate payable by the Recipient on the Un-withdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Payment Dates are May 15 and November 15 in each year.

- 2.05. The Payment Currency is the 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 its ministry at the time responsible for trade in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

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

ARTICLE V — REPRESENTATIVE; ADDRESSES

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

5.02. The Recipient's Address is:

Ministry of Finance and Economic Planning
P. O. Box 158
Kigali
Rwanda

Facsimile:

250-57-75-81

5.03. 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 Kigali, Rwanda, as of the day and year first above written.

REPUBLIC OF RWANDA

By

/s/ James Musoni
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Victoria Kwakwa
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to establish an enabling environment for private sector-led economic growth and poverty reduction within the Recipient's territory.

The Project consists of the following parts:

1. Access to Credit and Financial Services
 - (a) Strengthening of management and information systems of selected microfinance institutions through provision of accounting and portfolio management software and carrying out of training of personnel of said institutions in accounting portfolio management and governance.
 - (b) Provision of capacity-building support to Association of Microfinance Institutions in Rwanda.
 - (c) Provision of capacity-building support to Microfinance Supervision Division of National Bank of Rwanda with regard to regulation and supervision of microfinance institutions and addressing distressed microfinance institutions.
 - (d) Provision of support to Institute of Bankers with regard to establishment of its statutory framework and training curriculum.
2. Accounting and Auditing Standards
 - (a) Review and modification of the applicable legal framework.
 - (b) Provision of capacity-building support to Rwanda Institute of Certified Public Accountants, including with regard to improvement of curricula and quality of teaching of accounting and auditing, and to accountants with regard to preparation for modification of the applicable legal framework.

- (c) Provision of capacity-building support to small and medium enterprises with regard to implementation of International Financial Reporting Standards, International Standards of Auditing, and simplified reporting requirements.
- (d) Development and implementation of a framework for monitoring and enforcement of accounting and auditing standards.

3. Non-Bank Financial Institutions

- (a) Provision of capacity-building support to Non-Bank Financial Institutions Supervision Department of National Bank of Rwanda through, inter alia, the carrying out of training in supervision of pension and insurance companies.
- (b) Carrying out of full financial audits, and managerial and actuarial audits as needed, of seven (7) insurance companies.

4. Social Fund of Rwanda

Provision of capacity-building support to Social Fund of Rwanda with regard to refinement and implementation of said Fund's modernization program, including development and implementation of new investment strategy.

5. Payment Systems

- (a) Carrying out of a training program for National Bank of Rwanda staff involved in operation and oversight of payments.
- (b) Development and implementation of an integrated platform in support of automated clearing house and real time gross settlement system, particularly review of the applicable legal framework, acquisition of required software and core equipment, and continued support until systems fully operational.
- (c) Provision of capacity-building support to National Bank of Rwanda with regard to development of a legal and regulatory framework for mobile banking.

6. Executive Secretariat for Financial Sector Development Plan

- (a) Provision of capacity-building support to Executive Secretariat for Financial Sector Development Plan with regard to implementation of said Plan, promotion of the financial sector, and mobilization of complementary support from other development partners.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Schedule 4 to the Original Financing Agreement is incorporated in this Agreement, with the following modification in said Schedule, unless the context otherwise requires: The term “Borrower” shall be read as “Recipient”.

B. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) 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 the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association not later than 45 days after the end of the period covered by such report.

(b) The performance indicators referred to above in sub-paragraph (a) consist of the following:

No.	Indicator	Target
1.	Number of National Bank of Rwanda supervisory staff able to undertake on- and off-site supervision	7
2.	Number of non-bank financial institutions supervised annually by National Bank of Rwanda	10
3.	Number of regulated microfinance institutions supervised by National Bank of Rwanda, and maintenance of reliable related indicators by said Bank	10

4.	Number of financial institutions having implemented International Financial Reporting Standards	15
5.	Implementation of automated clearing house and real time gross settlement system	Operational

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 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 (1) 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.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

- 3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

- 1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
- 2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) Limited International Bidding
(b) National Competitive Bidding
(c) Shopping

C. Particular Methods of Procurement of Consultants' Services

- 1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
- 2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Quality-Based Selection
(b) Least Cost Selection
(c) Selection Based on Consultants' Qualifications
(d) Single Source Selection
(e) Selection of Individual Consultants

D. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) each contract for goods or works estimated to cost the equivalent of \$150,000 or more procured on the basis of International Competitive Bidding, Limited International Bidding, or National Competitive Bidding; (b) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more procured on the basis of Quality- and Cost-based Selection, Quality-Based Selection, Least Cost Selection, or Selection Based on Consultants' Qualifications; (c) each contract for consultants' services provided by a firm procured on the basis of Single Source Selection or Selection of Individual Consultants; and (d) each contract for consultants' services provided by an individual estimated to cost the equivalent of \$50,000 or more. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

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 "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance 100% of Eligible Expenditures, consisting of goods; works; non-consultant services; consultants' services, including for audits; Training; and Operating Costs.

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.
2. The Closing Date is July 31, 2011.

Section V. Other Undertakings

External Auditors

The Recipient shall appoint, no later than one (1) month after the Effective Date, in accordance with the provisions of Section III of this Schedule, external auditors, with qualifications, experience, and terms of reference satisfactory to the Association, for purposes of the carrying out of the audit referred to in Section II.B.3 of this Schedule.

APPENDIX**Section I. Definitions**

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Association of Microfinance Institutions in Rwanda” means the entity, established and operating pursuant to the Recipient’s Law No. 53/2001 of December 30, 2001, grouping microfinance institutions in the territory of the Recipient.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
4. “Executive Secretariat” means the Recipient’s entity, established and operating pursuant to the Recipient’s Ministerial Instruction No. 005/07/10/FSDP of September 23, 2007, under the supervisory authority of the Recipient’s Ministry of Finance and Economic Planning (as hereinafter defined), and which is charged with supervision of implementation of the Financial Sector Development Plan (as hereinafter defined).
5. “Financial Sector Development Plan” means the Recipient’s plan, adopted on June 27, 2007, aimed at improving access to credit, strengthening supervision of banks and non-bank financial institutions, and further developing the Recipient’s payment systems.
6. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
7. “Institute of Bankers” means the entity to be established under Part 1 (d) of the Project pursuant to the Recipient’s laws, and aimed at strengthening capacity and promoting professionalism in the Recipient’s banking sector.
8. “International Financial Reporting Standards” means the set of international financial reporting standards established by the International Accounting Standards Board.

9. “International Standards of Auditing” means the set of international standards of auditing established by the International Federation of Accountants.
10. “Ministry of Finance and Economic Planning” means the Recipient’s ministry at the time responsible for finance.
11. “National Bank of Rwanda” (*Banque Nationale du Rwanda*) means the central bank of the Recipient, established and operating pursuant to the Recipient’s Law No. 55/2007 of July 30, 2007.
12. “Operating Costs” means the incremental expenses incurred by the Project Coordination Unit on account of Project implementation, management, and monitoring and evaluation, including for utilities and supplies, bank charges, communications, vehicle operation, maintenance, and insurance, office space rental, building and equipment maintenance, public awareness-related media expenses, travel and supervision, and salaries of contractual and temporary staff, but excluding salaries, fees, honoraria, and bonuses of members of the Recipient’s civil service.
13. “Original Financing Agreement” means the development credit agreement between the Recipient and the Association, dated June 7, 2001, for a Competitiveness and Enterprise Development Project, as amended to the date of this Agreement (Credit No. 3499-RW).
14. “Original Project” means the Project described in the Original Financing Agreement.
15. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
16. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 26, 2008 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
17. “Rwanda Institute of Certified Public Accountants” means the entity, established and operating pursuant to the Recipient’s Accounting Law of December 20, 2007, charged with the establishment of national accounting and auditing standards and acting as a self-regulatory body for the profession in the territory of the Recipient.

18. “Social Fund of Rwanda” (*Caisse Social du Rwanda*) means the Recipient’s entity, established and operating pursuant to the Recipient’s Law No. 06/2003 of March 22, 2003, charged with management of the Recipient’s social security program.
19. “Training” means the training of persons involved in Project-supported activities, such term including seminars, workshops, and study tours, and costs associated with such activity include travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to course preparation and implementation.

Section II. Amendment to Original Financing Agreement

The Original Financing Agreement is amended as set forth below.

1. Section 1.02 (n) is amended to read as follows:

“(n) “PCU” means the project coordination unit established on December 4, 2000, within the ministry of the Borrower at the time responsible for trade, responsible for facilitating, monitoring, evaluating, and reporting on Project activities, and charged with financial management under the Project and coordination of Project implementation;”

2. Section 2.04 is amended to read as follows:

“Section 2.04. The Closing Date shall be July 31, 2011, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.”
