

Date: 04-Jun-2023

Honorable Uzziel Ndagijimana
Minister of Finance and Economic Planning
Kigali, Rwanda

Dear Honorable Minister,

**Republic of Rwanda: Credit No. 6927-RW and Grant No. D852-RW and Credit No. 6926-RW
Access to Finance for Recovery and Resilience Project
Amendment to the Financing Agreement and the SUF Financing Agreement**

We refer to the Financing Agreement (the “Financing Agreement”) dated June 23, 2021 between the Republic of Rwanda (the “Recipient”) and the International Development Association (“Association”) of Credit No. 6927-RW and Grant No. D852-RW with respect to the above-referenced Project (the “Project”) and the SUF Financing Agreement (the “SUF Financing Agreement”) of similar date between the Recipient and the Association of Credit No. 6926-RW.

We are pleased to inform you that after due consideration, the Association concurs to amend the Financing Agreement and the SUF Financing Agreement. Accordingly, the Association hereby proposes to amend the Financing Agreement as follows:

1. *The Project description under Part 1 of Schedule 1 to each of the Financing Agreement and the SUF Financing Agreement is amended by adding the following sub-component 1.4:*

- 1.4 *Sustainability Linked Financing:* (i) provision of technical assistance for the design and establishment of a Junior Credit Enhancement Facility for the purpose of providing collateral to private investors for the payment obligations of the issuer of bonds, issued to finance participating financial institutions’ lending activities to SMEs and large companies; and (ii) endowment of the Junior Credit Enhancement Facility for the financing of its activities.

2. *Section I.A.5 “Development Bank of Rwanda” of Schedule 2 to each of the Financing Agreement and the SUF Financing Agreement is amended and restated as follows:*

The BRD shall be responsible for implementation of Parts 1.2, 1.3, 1.4, 3.1(ii), 3.2 (i) and 3.3(i) of the Project in accordance with the provisions of the BRD Project Agreement.

3. *Sections I.B.1(a) and (b) “Project Implementation Manual” of Schedule 2 to each of the Financing Agreement and the SUF Financing Agreement is amended and restated as follows:*

- (a) The Recipient shall: (i) cause BDF to carry out Parts 1.1, 2, 3.1(i), 3.2(ii) and 3.3(ii) of the Project in accordance with the BDF Project Implementation Manual; (ii) cause BRD to carry out Parts 1.2, 1.3, 1.4, 3.1(ii), 3.2(i) and 3.3(i) of the Project in accordance with the BRD Project Implementation Manual; and (iii) through MINECOFIN carry out Part 3.3(iii) of the Project in accordance with the MINECOFIN Project Implementation Manual, (collectively the “Project Implementation Manual”).

- (b) Each PIM shall be updated in accordance with terms of reference satisfactory to the Association and setting forth the rules, methods, guidelines and procedures for the carrying out of the respective parts of the Project, including, *inter alia*: arrangements on financial management, setting forth the detailed policies and procedures for financial management under the Project; procurement management procedures; institutional administration, coordination, and day-to-day execution of Project activities, including the respective roles and responsibilities of each of the Project implementing Entities; monitoring and evaluation;

reporting; information and communication of Project activities; guidelines for assessing potential environmental and social impacts of the Project and designing appropriate mitigation, management, and monitoring measures in respect of such impacts; all arrangements for the implementation of FI Loans, Sub-Loans, Sub-projects, and Guarantees criteria and pricing; the Verification Protocol applicable to certify the achievement of PBCs; the Project's results framework and monitoring indicators; the terms and conditions of the Participation Agreements, Sub-Loan Agreements and Guarantee Agreement; rules, structure and mode of operation of the Junior Credit Enhancement Facility, and such other technical and organizational arrangements and procedures as shall be required for the effective implementation of the Project.

4. *Section I.C.1(b) "Subsidiary Agreement" of Schedule 2 to each of the Financing Agreement and the SUF Financing Agreement, is amended to read as follows:*
 - (b) Parts 1.2, 1.3, **1.4**, 3.1(ii), 3.2(i) and 3.3(i) of the Project, the Recipient shall make part of the proceeds of the Financing allocated from time to time to Category 3 of the table set forth in Section III.A of this Schedule available to BRD under a subsidiary agreement between the Recipient and BRD ("BRD Subsidiary Agreement").
5. *The Closing Date set forth in Section III.B.4 of the Schedule 2 to each of the Financing Agreement and the SUF Financing Agreement shall be August 31, 2028.*
6. *The table under Schedule 4 "Performance Based Conditions for Category 5 of the Withdrawal Table" to each of the Financing Agreement and the SUF Financing Agreement is amended and restated in the Annex to this letter.*
7. *The Appendix to each of the each of the Financing Agreement and the SUF Financing Agreement is amended by adding a new definition 36 and the subsequent sub-sections renumbered accordingly:*
 36. "Junior Credit Enhancement Facility" means the facility established and endowed under Part 1.4 of the Project.

All provisions of the Financing Agreement which are not expressly modified in accordance with this letter remain unchanged.

Please confirm your agreement to the foregoing on behalf of the Recipient by countersigning and dating the corresponding form of confirmation set forth below, and returning one fully countersigned original of this letter to us. Upon receipt of duly countersigned original of this letter by the authorized representative of the Recipient, this amendment letter shall become effective as of the date of the countersignature.

Sincerely,

Rolande Pryce

Rolande Pryce
Country Manager for Rwanda
Eastern and Southern Africa Region

CONFIRMED:

REPUBLIC OF RWANDA

By: *Uzziel Ndagijimana*

Name: Uzziel Ndagijimana

Title: Minister of Finance and Economic Planning

Date: 04-Jun-2023

Performance Based Conditions for Category 5 of the Withdrawal Table

PBC	Description	PBC Amount	Indicative Target Date
<p>PBC 1: Revised PCG policies and procedures reflected in the MoU with financial institutions that are endorsed by and disseminated among the key stakeholders.</p>	<p>The BDF Guarantee Requirements dated February 4th, 2012 will be revised or a new policy and procedural document of the PCG replacing the BDF Guarantee Requirements will be developed. The revised and/or newly developed document(s) (collectively called as “new PCG policies”) will be approved by the BDF’s Board of Directors.</p> <p>The documents should cover, at a minimum: (a) guarantee processing policies and procedures including the eligible PFIs, eligible use of funds, limits on the size of the loans that can be guaranteed, and suitable debt service and guarantee coverage; and (b) guidance for PFIs including guarantee fees, reporting requirements, handling of loan defaults, procedure and requirements for claims, and loan recovery.</p> <p>The Memorandum of Understanding (“MoU”) with PFIs will be revised based on the new PCG policies.</p> <p>The new PCG policies and the revised MoU will be presented to and endorsed by PFIs, SME representatives and other stakeholders.</p> <p>The new PCG policies and revised MoU will be disseminated among PFIs, SMEs representatives and other stakeholders via BDF website and awareness raising events.</p>	<p>\$2 million</p>	
<p>PBC 2: Increased market uptake of the guarantee product</p>	<p>The total outstanding guarantees will exceed RWF 25 billion, RWF 35 billion, and RWF 45 billion, based on the latest quarterly PCG portfolio report (US\$7M will be disbursed for each).</p> <p>Introduction of a new product or procedure for the small guarantees, and amendment of the PCG Policy and procedural manual/agreement</p>	<p>\$21 million</p> <p>\$7 million</p>	
<p align="center">TOTAL</p>		<p>\$30 million</p>	