

CONFORMED COPY

CREDIT NUMBER 3182 RW

Development Credit Agreement

(Economic Recovery Credit)

between

RWANDESE REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 9, 1999

CREDIT NUMBER 3182-RW

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 9, 1999, between the RWANDESE REPUBLIC (the Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter, dated February 23, 1999, from the Borrower describing a program of actions, objectives and policies designed to consolidate the ongoing economic recovery and stability of the Borrower's economy, reduce rural poverty, enhance human resource development, develop capacity, revive the private sector and build an inclusive economic system (hereinafter called the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during the execution thereof; and

(B) on the basis, inter alia, of the foregoing, the Association has decided in support of the Program to provide such assistance to the Borrower by making the Credit in three tranches as hereinafter provided;

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 (as amended through

December 2, 1997), with the modifications thereto set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 9, is modified to read:

"'Project' means the program, referred to in the Preamble to the Development Credit Agreement, in support of which the Credit is made.";

(b) Section 4.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, withdrawals from the Credit Account shall be made in the currency of the deposit account specified in Section 2.02 of the Development Credit Agreement.";

(c) Section 5.01 is modified to read:

"The Borrower shall be entitled to withdraw the proceeds of the Credit from the Credit Account in accordance with the provisions of the Development Credit Agreement and of these General Conditions.";

(d) The last sentence of Section 5.03 is deleted;

(e) Section 9.06 (c) is modified to read:

"(c) Not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution of the program referred to in the Preamble to the Development Credit Agreement, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit."; and

(f) Section 9.04 is deleted and Sections 9.05, 9.06 (as modified above), 9.07 and 9.08 are renumbered, respectively, Sections 9.04, 9.05, 9.06 and 9.07.

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) "BNR" or "Banque Nationale du Rwanda" means the Borrower's central bank established pursuant to the Borrower's law of April 24, 1964, as amended by Law No. 11/97 of July 26, 1997;

(b) "Chamber of Commerce and Industry of Rwanda" means the autonomous public body established by the Borrower pursuant to Decree-Law No. 03/82 of January 6, 1982 and granted the exclusive right to represent all private businesses registered in the territory of the Borrower and promote their interests;

(c) "Coffee Stabilization Fund" means the stabilization fund for the coffee sector established by the Borrower pursuant to Decree-Law No. 27/78 of September 5, 1978 and managed by OCIR-CAFE (as hereinafter defined);

(d) "Deposit Account" means the account referred to in Section 2.02 (b) of this Agreement;

(e) "ELECTROGAZ" means the state utility company owned by the Borrower, established pursuant to Decree-Law No.18/76 of April 20, 1976 and granted a monopoly for the production, transportation and distribution of gas, water and electricity in the territory of the Borrower;

(f) "First Tranche" means the Tranche (as hereinafter defined) of the proceeds of the Credit allocated to Category (1) in the table set forth in paragraph 1 of Schedule 1 to this Agreement;

(g) "Fiscal Year" or "FY" means the fiscal year of the Borrower beginning on

January 1 and ending on December 31;

(h) "Floating Tranche" means the Tranche (as hereinafter defined) of the proceeds of the Credit allocated to Category (3) in the table set forth in paragraph 1 of Schedule 1 to this Agreement;

(i) "Internal Trade Act" means the Borrower's law No. 35/91 of August 5, 1991 which sets forth the legal framework for commercial activities in the territory of the Borrower;

(j) "LDP" means the Letter of Development Policy referred to in Recital (A) of the Preamble to the Development Credit Agreement;

(k) "Office des Cultures Industrielles Rwandais - Café" or "OCIR-CAFE" means the state company owned by the Borrower established pursuant to Decree-Law No. 27/78 of September 5, 1978 and responsible for the management of the coffee sector;

(l) "Office des Cultures Industrielles Rwandais - Thé" or "OCIR-THE" means the state company owned by the Borrower established pursuant to Decree-Law No. 26/78 of December 5, 1978 and responsible for the management of the tea sector;

(m) "Second Tranche" means the Tranche (as hereinafter defined) of the proceeds of the Credit allocated to Category (2) in the table set forth in paragraph 1 of Schedule 1 to this Agreement; and

(n) "Tranche" means any of the following: the First Tranche, the Second Tranche, the Floating Tranche.

## 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 fifty-three million Special Drawing Rights (SDR 53,000,000).

Section 2.02. (a) Subject to the provisions of paragraphs (b), (c) and (d) of this Section, the Borrower shall be entitled to withdraw the proceeds of the Credit from the Credit Account in support of the Program.

(b) The Borrower shall open, prior to furnishing to the Association the first request for withdrawal from the Credit Account, and thereafter maintain in its central bank, a deposit account in Dollars on terms and conditions satisfactory to the Association. All withdrawals from the Credit Account shall be deposited by the Association into the Deposit Account.

(c) The Borrower undertakes that the proceeds of the Credit shall not be used to finance expenditures excluded pursuant to the provisions of Schedule 1 to this Agreement. If the Association shall have determined at any time that any proceeds of the Credit shall have been used to make a payment for an expenditure so excluded, the Borrower shall, promptly upon notice from the Association, (i) deposit into the Deposit Account an amount equal to the amount of said payment, or (ii) if the Association shall so request, refund such amount to the Association. Amounts refunded to the Association upon such request shall be credited to the Credit Account for cancellation.

Section 2.03. The Closing Date shall be December 31, 2000 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 canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and 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 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 June 15 and December 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each June 15 and December 15, commencing June 15, 2009 and ending December 15, 2038. Each installment to and including the installment payable on December 15, 2018 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 per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; 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 repayment of installments under paragraph (a) above by: (A) 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; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above 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.

(d) 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. The Governor of BNR is designated as representative of the Borrower 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

#### Particular Covenants

Section 3.01. (a) The Borrower and the Association shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Schedule 2 to this Agreement.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request.

(c) Without limitation upon the provisions of paragraph (a) of this Section, the Borrower shall exchange views with the Association on any proposed action to be taken after the disbursement of the Credit which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program, including any action specified in Schedule 2 to this Agreement.

Section 3.02. Upon the Association's request, the Borrower shall:

(a) have the Deposit Account audited in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(b) furnish to the Association as soon as available, but in any case not later than six months after the date of the Association's request for such audit, 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

(c) furnish to the Association such other information concerning the Deposit Account and the audit thereof as the Association shall have reasonably requested.

#### ARTICLE IV

##### Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

#### ARTICLE V

##### Effective Date; Termination

Section 5.01 The following event is specified as an 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 Borrower has submitted to its National Assembly, in accordance with paragraph 38 of the LDP, a draft labor code, satisfactory to the Association.

Section 5.02. The date sixty (60) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VI

##### Representative of the Borrower; Addresses

Section 6.01. Except as provided in Section 2.09 of this Agreement, the Minister of the Borrower at the time responsible for finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance and Economic Planning

P.O. Box 158  
Kigali  
Rwandese Republic

Cable address:

Telex:

22687 MINFIN-RW

For the Association:

International Development Association  
1818 H Street, NW  
Washington, DC 20433  
United States of America

Cable address:

Telex:

INDEVAS  
Washington, DC

248423 (MCI) or  
64145 (MCI)

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/ Théogène Rudasingwa

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto E. Madavo

Regional Vice President  
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the  
Credit and Excluded Expenditures

1. Subject to the provisions set forth or referred to in this Schedule, the table below sets forth the amounts allocated to specific Tranches to be withdrawn from the Credit Account:

Categories	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of the Expenditures to be Financed
(1) First Tranche	28,400,000	100%
(2) Second Tranche	12,300,000	100%
(3) Floating Tranche	12,300,000	100%
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TOTAL	53,000,000 =====	

2. For purposes of Section 2.02 (c) of this Agreement, the proceeds of the Credit shall not be used to finance any of the following expenditures:

(a) expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

(b) expenditures for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association shall have financed or agreed to finance, or which the Bank or the Association shall have financed or agreed to finance under another loan or a credit;

(c) expenditures for goods included in the following groups or subgroups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Borrower:

Group	Subgroup	Description of Items
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured, tobacco refuse
122	-	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	-	Radioactive and associated materials
667	-	Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; elements (cartridges), non-irradiated, nuclear reactors
728.43	-	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971	-	Gold, non-monetary (excluding gold ores and concentrates)

(d) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;

(e) expenditures for environmentally hazardous goods (for purposes of this paragraph the term "environmentally hazardous goods" means goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party;

(f) expenditures: (a) in the territories of any country which is not a member of the Bank or for goods procured in, or services supplied from, such territories; or (b) on account of any payment to persons or entities, or any import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(g) expenditures under a contract in respect of which the Association determines that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Credit during the procurement or execution of such contract, without the Borrower having taken timely and appropriate action

satisfactory to the Association to remedy the situation.

3. No withdrawal shall be made from the Credit Account under Category (2) of the table in paragraph 1 of this Schedule unless the amount specified in Category (1) has been withdrawn by the Borrower and the Association shall be satisfied after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Association:

(i) with the fulfillment of the requirements of Part A of Schedule 2 to this Agreement; and

(ii) that the actions described in Part B of Schedule 2 to this Agreement have been taken in form and substance satisfactory to the Association.

4. Notwithstanding the provisions of paragraph 3 above, withdrawals may be made by the Borrower in respect of Category (3) of the table in paragraph 1 of this Schedule at any time when the Association shall be satisfied after an exchange of views as described in Section 3.01 of this Agreement, based on evidence satisfactory to the Association, that the requirements of Part A of Schedule 2 to this Agreement have been fulfilled, and the actions described in Part C of Schedule 2 to this Agreement have been taken in form and substance satisfactory to the Association.

5. If after any of the exchange of views referred to in paragraphs 3 and 4 above, the Association shall have given notice to the Borrower that the requirements of Part A of Schedule 2 to this Agreement, or the actions taken under Parts B or C of Schedule 2 to this Agreement, as the case may be, are not satisfactory and, within ninety (90) days after such notice, the Borrower shall not have met the requirements of Part A of said Schedule 2 or taken the actions under Parts B or C of said Schedule 2, as the case may be, then the Association may, by notice to the Borrower, cancel the unwithdrawn amount of the Credit or any part thereof.

#### SCHEDULE 2

Actions Referred to in Section 3.01 (a) of this Agreement

Part A: General Requirements for Tranche Releases

1. The macroeconomic policy framework of the Borrower is consistent with the objectives of the Program.

2. The Borrower has achieved progress satisfactory to the Association in the carrying out of the Program.

Part B: Specific Conditions for the Release of the Second Tranche

1. The Borrower has:

(a) with respect to budget implementation for FY 1999, provided evidence, satisfactory to the Association, that the funds appropriated by the Borrower to the health and education sectors have been actually committed in accordance with the relevant budgetary appropriations for these sectors set forth in its budget law for FY 1999;

(b) for purposes of budget preparation and implementation, established, in accordance with paragraph 49 of the LDP, an adequate budget classification system as well as monitoring arrangements, satisfactory to the Association, to ensure that actual expenditures for the health, education and other priority sectors specified in said paragraph are consistent with the budgetary appropriations for these sectors as set forth each year in the Borrower's budget law;

(c) (i) for FY 2000, set, using the medium-term expenditure framework referred to in paragraph 49 of the LDP, spending targets for the health, education and the other priority sectors specified in said paragraph; and (ii) made, in its budget for FY 2000, budgetary allocations for these sectors in accordance with the targets referred to in the preceding subparagraph, satisfactory to the Association and consistent with subparagraph (2) above.



2. The Borrower has:

(a) adopted a policy framework, satisfactory to the Association, for market-based distribution systems for fertilizers, seeds and other agricultural inputs, as described in paragraph 24 of the LDP and the Association has received satisfactory evidence that the relevant ministerial instructions necessary for the implementation of such plan have been issued;

(b) submitted to its National Assembly, draft legislation, satisfactory to the Association, to liberalize the telecommunications sector, as specified in paragraph 44 of the LDP; and

(c) approved a strategy and action plan, satisfactory to the Association, for the privatization of the state-owned tea factories and estates managed by OCIR-THE, as described in paragraph 25 of the LDP.

Part C: Specific Conditions for the Release of the Floating Tranche

The Borrower has:

(a) enacted appropriate legislation, satisfactory to the Association, to eliminate discrimination against women with respect to inheritance and ownership rights and adopted a comprehensive action plan and timetable to eliminate other forms of discrimination against women and to improve access by women to economic services and opportunities, all in accordance with paragraph 34 of the LDP;

(b) enacted appropriate legislation, satisfactory to the Association, to abolish (i) the Coffee Stabilization Fund, in accordance with paragraph 26 of the LDP; and (ii) the existing Chamber of Commerce and Industry, in accordance with paragraph 39 of the LDP;

(c) enacted, in accordance with paragraph 38 of the LDP, an amendment, satisfactory to the Association, to the Internal Trade Act to: (i) revoke the authority granted to the Minister responsible for commerce to investigate and control prices and profit margins and specify the level of inventory of goods to be kept by an enterprise; and (ii) grant to the Minister responsible for commerce such powers as may be necessary to enforce the provisions of the said Act prohibiting anti-competitive practices;

(d) (i) approved a plan, satisfactory to the Association, to split ELECTROGAZ into three new separate companies responsible for the provision of gas, water and electricity and provide for private sector participation in the management and ownership of the new companies; and (ii) enacted appropriate legislation, satisfactory to the Association, to terminate the monopoly status of ELECTROGAZ, all in accordance with paragraph 43 of the LDP;

(e) adopted in consultation with stakeholders, a comprehensive strategy, satisfactory to the Association, to revive the coffee sector, as described in paragraph 26 of the LDP, including the modalities for the revision of the legal mandate and attributions of OCIR-CAFÉ to convert it into an entity responsible for regulating, promoting and monitoring the performance of the coffee sector;

(f) adopted a legal framework, satisfactory to the Association, for the operation of the tea sector, as described in paragraph 25 of the LDP, including a revision of the legal mandate and attributions of OCIR-THE converting it into an entity responsible for regulating, promoting and monitoring the performance of the tea sector; and

(g) brought to the point of sale, starting from January 1, 1999, the twenty additional state-owned enterprises referred to in paragraph 43 of the LDP.

For the purposes of subparagraph (g) hereto, the term "brought to the point of sale" means: (i) carried an evaluation of the stocks of the enterprises to be sold, on the basis, inter alia, of an evaluation of their assets and liabilities; (ii) prepared a prospectus for distribution to prospective buyers; (iii) solicited offers for the purchase of share capital; (iv) evaluated any such offers and selected successful

bidders; and (v) invited the successful bidders to enter into good faith negotiations.

