

Public Disclosure Authorized

CONFORMED COPY

GRANT NUMBER H426-RW

Financing Agreement

**(Regional Communications Infrastructure Program (Phase 2):
Rwanda Project)**

between

REPUBLIC OF RWANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 20, 2008

GRANT NUMBER H426-RW

FINANCING AGREEMENT

AGREEMENT dated October 20, 2008, between REPUBLIC OF RWANDA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). 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 or in 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 fifteen million three hundred thousand Special Drawing Rights (SDR 15,300,000) (“Grant”) 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 The Maximum Commitment Charge Rate payable by the Recipient on the Un-withdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.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 February 15 and August 15 in each year.
- 2.05. The Payment Currency is the Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project and the Program. To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity 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 — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following:
 - (a) As a result of events which have occurred after the date of this Agreement, an extraordinary situation has arisen which makes it improbable that the Program, or a significant part thereof, will be carried out.
 - (b) The Project Implementing Entity's Legislation has been amended, suspended, abrogated, repealed, or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.

- 4.02. The Additional Event of Acceleration consists of the following:

The event specified in Section 4.01 (b) of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) The Subsidiary Agreement referred to in Section I.B.1 of Schedule 2 to this Agreement, in form and substance satisfactory to the Association, has been executed and delivered on behalf of the Recipient and the Project Implementing Entity.

- (b) A lead technical manager, with qualifications, experience, and terms of reference satisfactory to the Association, charged with overall Project implementation, has been appointed to the Project Implementing Entity in accordance with the provisions of Section III of Schedule 2 to this Agreement as applicable.

5.02. The Additional Legal Matter consists of the following:

The execution and delivery of the Subsidiary Agreement on behalf of the Recipient and the Project Implementing Entity have been duly authorized or ratified by all necessary governmental and corporate action, and said Agreement is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.

5.03. The Effectiveness Deadline is the date 90 days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

6.02. The Recipient's Address is:

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

Facsimile:

250-57-75-81

6.03. 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) or
64145 (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 objectives of the Project are to contribute to lower prices for international capacity and extend the geographic reach of broadband networks in the Recipient's territory.

The Project constitutes the second phase of the Program, and consists of the following parts:

1. Enabling Environment

Provision of advisory and capacity building support to the Project Implementing Entity, the Rwanda Utilities Regulatory Agency, the Recipient's ministry at the time responsible for information and communications technology, and other sectoral entities in relation to:

- (a) Program implementation, and implementation of reforms in the information and communications technology sector.
- (b) Carrying out of preparatory work, such as studies and technical design development, for implementation of: (i) Part 2 (a) of the Project; and (ii) Part 2 (b) of the Project.
- (c) Implementation of the Environmental and Social Management Framework, the Resettlement Policy Framework, any Environmental Management Plans, and any Resettlement Action Plans.
- (d) Carrying out of public awareness and outreach activities with respect to the Project.

2. Connectivity

- (a) Provision of broadband services to specific Recipient and other institutions.
- (b) Purchase or lease by the Recipient of international telecommunications capacity from wholesale providers on a competitive basis.

- (c) Provision of support to the establishment of a third-party virtual landing station, through the acquisition of goods such as telecommunications equipment, carrying out of works, and provision of technical advisory services.

3. Project Management

Carrying out of audits, provision of advisory and capacity building support to the Project Implementing Entity for purposes of Project management, implementation, and monitoring and evaluation, and financing of Operating Costs.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

Recipient Ministry at the Time Responsible for Information and Communications Technology

1. Without limitation upon the provisions of paragraph 3 of this Section, the Recipient's ministry at the time responsible for information and communications technology shall be responsible for strategic and policy oversight and coordination of the Project.

Project Implementing Entity

2. Without limitation upon the provisions of paragraph 1 of this Section, the Project Implementing Entity shall be responsible for implementation and monitoring and evaluation of and financial and administrative management and procurement under the Project.
3. The Recipient shall cause the Project Implementing Entity to maintain, throughout Project implementation: (i) the lead technical manager referred to in Section 5.01 (b) of this Agreement; (ii) a financial management specialist; (iii) a procurement specialist; and (iv) other key staff necessary for Project implementation, all with qualifications, experience, and terms of reference satisfactory to the Association and appointed in accordance with Section III of Schedule 2 to the Financing Agreement as applicable.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project by the Project Implementing Entity, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity under a subsidiary agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association, which shall include the following ("Subsidiary Agreement"):

- (a) The Recipient shall provide the proceeds of the Financing to the Project Implementing Entity on a grant basis.
 - (b) The Project Implementing Entity shall perform all of its obligations under the Project Agreement.
 - (c) The Project Implementing Entity shall ensure that the Project is implemented in accordance with the provisions of the Project Operations Manual (provided, however, that in case of any conflict between the provisions of the Project Operations Manual and those of this Agreement, the latter shall prevail), and, except as the Association shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.
 - (d) Procurement of the goods, works, and services required for the Project shall be governed by the provisions of Section III of Schedule 2 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.
 - (e) The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the Environmental and Social Management Framework, the Resettlement Policy Framework, any Environmental Management Plans, and any Resettlement Action Plans, and, except as the Association shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.
2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.

C. Anti-Corruption

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

D. Manual

1. The Recipient shall: (i) ensure that the Project is carried out in accordance with the provisions of the Project Operations Manual; and (ii) except as the Association shall otherwise agree, not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.
2. In the event of any conflict between the provisions of the Project Operations Manual and those of this Agreement, the latter shall prevail.

E. Safeguards

1. The Recipient shall cause the Project Implementing Entity to prepare Environmental Management Plans and Resettlement Action Plans, all in form and substance satisfactory to the Association, as required in accordance with the provisions of the Environmental and Social Management Framework and the Resettlement Policy Framework, as the case may be.
2. The Recipient shall: (i) ensure that the Project is carried out in accordance with the provisions of the Environmental and Social Management Framework, the Resettlement Policy Framework, any Environmental Management Plans, and any Resettlement Action Plans; and (ii) except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.
3. In the event of any conflict between the provisions of the Environmental and Social Management Framework, the Resettlement Policy Framework, an Environmental Management Plan, or a Resettlement Action Plan, and those of this Agreement, the latter shall prevail.
4. The Project Implementing Entity shall be responsible, in consultation with the Rwanda Environmental Management Authority, for implementation of the Environmental and Social Management Framework, the Resettlement Policy Framework, any Environmental Management Plans, and any Resettlement Action Plans.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) The Recipient shall cause the Project Implementing Entity to 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 Recipient and 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
1.	Volume of international traffic (Megabits / second)
2.	Volume of national traffic (Internet user penetration and total teledensity (fixed and mobile))
3.	Average price of international communications (Price of a wholesale international capacity link from the territory of the Recipient to a European hub)

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 cause the Project Implementing Entity to prepare and furnish to the Association, not later than 45 days after the end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall cause the Project Implementing Entity to 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 Project Implementing Entity. The audited Financial Statements for each such period shall be furnished to the Association not later than six months (6) 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 Schedule.
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 Schedule.
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
(d) Direct Contracting
(e) Single Source Selection
(f) Procurement from United Nations Agencies
(g) Procurement under BOO / BOT / BOOT, Concessions, and Similar Private Sector Arrangements
(h) Performance-Based Procurement

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) Selection under a Fixed Budget
(c) Least Cost Selection
(d) Selection based on Consultants’ Qualifications
(e) Single Source Selection
(f) Selection of Individual Consultants

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. 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 Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Financing Allocated (Expressed in SDR)	Percentage of Expenditures to be Financed (Exclusive of Taxes)
(1) Goods, works, consultants' services (including audits), and Training for Parts 1, 2 (c), and 3 of the Project	3,430,000	100
(2) Goods, works, consultants' services (including audits), and Training for Part 2 (a) of the Project	2,550,000	100
(3) Goods, works, consultants' services (including audits), and Training for Part 2 (b) of the Project	8,270,000	100
(4) Operating Costs	310,000	100
(5) Unallocated	740,000	
TOTAL AMOUNT	15,300,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made:
 - (a) prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$400,000 equivalent may be made for payments made prior to this date but on or after October 1, 2007 for Eligible Expenditures;
 - (b) for Taxes levied by, or in the territory of, the Recipient on goods, works, or services financed out of the Financing, or on the procurement, manufacture, importation, or supply thereof, and the Recipient shall pay

all such Taxes, if any; in the absence of which payment, said Taxes shall be considered to be exempt;

- (c) under Category (2) of the table in Part A.2 above, unless Part 1 (b) (i) of the Project has been carried out in a manner satisfactory to the Association; and
- (d) under Category (3) of the table in Part A.2 above, unless Part 1 (b) (ii) of the Project has been carried out in a manner satisfactory to the Association.

2. The Closing Date is January 31, 2014.

Section V. Other Undertakings

A. External Auditors

The Recipient shall cause the Project Implementing Entity to appoint, no later than three (3) months after the Effective Date, in accordance with the provisions of Section III of this Schedule as applicable, 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.

B. Annual Work Plans and Budgets

The Recipient shall cause the Project Implementing Entity to furnish to the Association as soon as available, but in any case not later than one (1) month before the beginning of each fiscal year of the Project Implementing Entity, the annual work plan and budget for the Project for each subsequent year of Project implementation, of such scope and detail as the Association shall have reasonably requested, except for the annual work plan and budget for the Project for the first year of Project implementation, which shall be furnished no later than one (1) month after the Effective Date.

C. Semi-Annual Reviews

The Recipient shall cause the Project Implementing Entity to review with the Recipient and the Association, no later than one (1) month after its transmittal to the Association, or such later date as the Association shall request, the report referred to in Section II.A.1 (a) of this Schedule, and, thereafter, take all

measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Recipient's and the Association's views on the matter.

D. Midterm Review

The Recipient shall cause the Project Implementing Entity to:

- (a) carry out jointly with the Recipient and the Association, no later than 30 months after the Effective Date, a midterm review to assess the status of Project implementation, as measured against the performance indicators referred to in Section II.A.1 (a) of this Schedule. Such review shall include an assessment of the following: (i) overall progress in Project implementation; (ii) results of monitoring and evaluation activities; (iii) annual work plans and budgets; (iv) progress on procurement and disbursement; (v) environmental and social safeguards screened and actions taken in relation thereto; and (vi) Project implementation arrangements; and make adjustments to the Project and reallocate funds to improve performance, if needed;
- (b) prepare and furnish to the Recipient and the Association, three (3) months before such review, a report, in scope and detail satisfactory to the Association, needed to undertake the review, integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section on the progress achieved in the carrying out of the Project during the period preceding the date of the said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and
- (c) review, jointly with the Recipient and the Association, the report referred to in paragraph (b) of this Section and thereafter take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Recipient's and the Association's views on the matter.

APPENDIX

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. “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.
3. “Environmental and Social Management Framework” means the Recipient’s framework, dated April 24, 2008, agreed with the Association and setting out the assessments to be carried out to identify, evaluate, and eliminate any adverse environmental and social impacts of Project activities, offset them, or reduce them to acceptable levels, or enhance positive impacts, as the same may be modified from time to time with the prior written agreement of the Association, and such term includes any schedules to said Framework.
4. “Environmental Management Plan” means any of the Recipient’s plans, to be agreed with the Association and setting out the mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, that have been identified by the Recipient to eliminate any adverse environmental and social impacts of Project activities, offset them, or reduce them to acceptable levels, or enhance positive impacts, in accordance with the provisions of the Environmental and Social Management Framework, as the same may be modified from time to time with the prior written agreement of the Association, and such term includes any schedules or annexes to said Plan.
5. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
6. “Operating Costs” means the incremental expenses, based on the annual budgets referred to in Section V.B of Schedule 2 to this Agreement as approved by the Association, incurred by the Project Implementing Entity on account of Project implementation, management, and monitoring and evaluation, including for office space rental, utilities and supplies, bank charges, communications, vehicle operation, maintenance, and insurance, building and equipment maintenance, public awareness-related media expenses, travel and supervision, and salaries of

support staff, but excluding salaries, fees, honoraria, and bonuses of members of the Recipient's civil service.

7. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004 and revised in October 2006.
8. "Procurement Plan" means the Recipient's procurement plan for the Project, dated September 3, 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.
9. "Program" means the Recipient's program designed to use information and communications technology as a key driver of the Recipient's socioeconomic development toward a knowledge-based economy and as a vehicle for improvement of public and private service delivery, particularly in rural areas, and set forth or referred to in the letter dated August 25, 2008 from the Recipient to the Association.
10. "Project Agreement" means the agreement between the Association and the Project Implementing Entity, of even date herewith, as the same may be amended from time to time, including all its schedules and agreements supplemental thereto.
11. "Project Implementing Entity" means the Rwanda Information Technology Authority (as hereinafter defined).
12. "Project Implementing Entity's Legislation" means the Recipient's Laws No. 32/2002 of October 2, 2002 and No. 46/2006 of October 5, 2006.
13. "Project Operations Manual" means the Recipient's manual, dated September 2, 2008, agreed with the Association and setting out implementation, organizational, administrative, monitoring and evaluation, environmental and social monitoring and mitigation, financial management, disbursement, and procurement arrangements for purposes of Project implementation, as the same may be amended from time to time with the prior written agreement of the Association, and such term includes any schedules to said Manual.
14. "Resettlement Action Plan" means any of the Recipient's plans, to be agreed with the Association and setting out the procedures, including related compensation measures, to be applied in the event of the physical or economic displacement of persons, or impact on assets, affected by Project activities in

accordance with the provisions of the Resettlement Policy Framework (as hereinafter defined), as the same may be modified from time to time with the prior written agreement of the Association, and such term includes any schedules or annexes to said Plan.

15. “Resettlement Policy Framework” means the Recipient’s framework, dated April 15, 2008, agreed with the Association and setting out arrangements for the resettlement and compensation of persons affected by potential changes in land use, or impact on assets, associated with Project activities, as the same may be modified from time to time with the prior written agreement of the Association, and such term includes any schedules to said Framework.
 16. “Rwanda Environmental Management Authority” means the Recipient’s entity, under the supervisory authority of its ministry at the time responsible for the environment, established and operating pursuant to the Recipient’s Law No. 16/2006 of April 3, 2006, and charged with environmental management.
 17. “Rwanda Information Technology Authority” means the Recipient’s entity under the supervisory authority of its ministry at the time responsible for information and communications technology and which is responsible for the coordination of support to the development and implementation of the Recipient’s Program.
 18. “Rwanda Utilities Regulatory Agency” means the Recipient’s entity established and operating under the Recipient’s Law No. 39/2001 of September 13, 2001 and responsible for the regulation of public utilities.
 19. “Subsidiary Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity.
 20. “Training” means the training of persons involved in Project-supported activities, based on the annual budgets referred to in Section V.B of Schedule 2 to this Agreement as approved by the Association, 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.
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