

OFFICIAL
DOCUMENTS

CR 5910-RW

CREDIT NUMBER 5910-RW

Financing Agreement

(Third Social Protection System Development Policy Financing)

between

REPUBLIC OF RWANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 3, 2016

FINANCING AGREEMENT

AGREEMENT dated November 3, 2016, entered into between REPUBLIC OF RWANDA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, inter alia, of (a) the actions which the Recipient has already taken under the Program and which are described in Section I.A of Schedule 1 to this Agreement, and (b) the Recipient's maintenance of an adequate macroeconomic policy framework. The Recipient and the Association therefore 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 credit in an amount equivalent to sixty eight million two hundred thousand Special Drawing Rights (SDR 68,200,000) (variously, "Credit" and "Financing").
- 2.02. The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with Section II of Schedule 1 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%).
- 2.05. The Payment Dates are February 15 and August 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 2 to this Agreement.
- 2.07. The Payment Currency is Dollars.

ARTICLE III — PROGRAM

- 3.01. The Recipient declares its commitment to the Program and its implementation. To this end:
- (a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient's macroeconomic policy framework and the progress achieved in carrying out the Program;
 - (b) prior to each such exchange of views, the Recipient 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; and
 - (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule I to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01 The Additional Event of Suspension consists of the following, namely that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following, namely that the Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient's macroeconomic policy framework.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

6.02. The Recipient's Address is:

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

Facsimile: + 250-252-57-75-81

6.03. The Association's Address is:

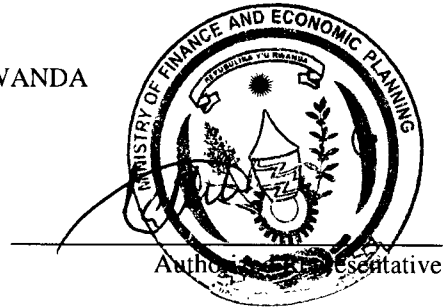
International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:	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:



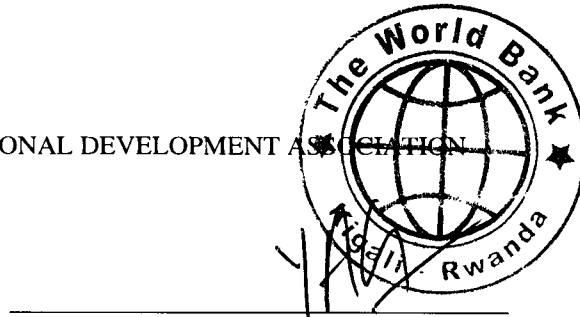
Authorized Representative

Name: Honorable Claver Gatete

Title: Minister of Finance and Economic Planning

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:



Authorized Representative

Name: Yasser El-Gammal

Title: Country Manager

SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

A. Actions Taken Under the Program. The actions taken by the Recipient under the Program include the following:

1. The Recipient has updated the Ubudehe Database and the said database has a fully functional interface with the National Identification Agency database.
2. The Recipient has established a structure for the National Social Protection Registry with web-based graphical interfaces for communication across social protection programs and has developed protocols on staffing, roles and responsibilities for the use and maintenance of the integrated Social Protection Management Information System.
3. The Recipient has implemented a pilot of the Minimum Package for Graduation in thirty (30) Sectors which, *inter alia*, harmonizes income generating activities across Selected Social Protection Programs.
4. The Recipient has implemented a citizen appeals and complaints system, including a web based and a Short Message System, to process and monitor appeals and complaints in the delivery of social protection programs.
5. The Recipient has adopted a plan and committed budgetary resources in the national budget for the Fiscal Year 2016/17 to finance the Vision 2020 Umurenge Program's ("VUP") direct support activities in all the four hundred and sixteen (416) Sectors, and to expand public works and financial services activities from two hundred and ten (210) Sectors to two hundred and forty (240) Sectors, and from two hundred and forty (240) Sectors to two hundred and seventy (270) Sectors, respectively.
6. The Recipient has approved a revised VUP designed to ensure better alignment with the needs of poor and vulnerable populations.
7. The Recipient has approved the National Early Childhood Development Policy, which *inter alia*, articulates the role for social protection in the delivery of early childhood services.

Section II. Availability of Financing Proceeds

- A. General.** The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.
- B. Allocation of Financing Amounts.** The Financing is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing. The allocation of the amounts of the Financing to this end is set out in the table below:

Allocations	Amount of the Credit Allocated (expressed in SDR)
Single Withdrawal Tranche	68,200,000
TOTAL AMOUNT	68,200,000

C. Withdrawal Tranche Release Conditions.

No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied with: (a) the Program being carried out by the Recipient; and (b) with the adequacy of the Recipient's macroeconomic policy framework.

D. Deposits of Financing Amounts.

1. The Recipient shall open, prior to furnishing to the Association the first request for withdrawal from the Financing Account, and thereafter maintain the following two deposit accounts ("Deposit Accounts") at *Banque Nationale du Rwanda* on terms and conditions satisfactory to the Association:
 - (a) a deposit account in United States Dollars ("Foreign Currency Deposit Account"); and
 - (b) a deposit account in Rwandan Franc ("Local Currency Deposit Account").
2. All withdrawals from the Financing Account shall be deposited by the Association into the Foreign Currency Deposit Account. Upon the deposit of the amount of the Financing into the Foreign Currency Deposit Account, the Recipient shall ensure deposit by *Banque Nationale du Rwanda* of the local currency equivalent amount into the Local Currency Deposit Account. The Recipient shall promptly, upon withdrawal from the Financing Account, provide to the Association a report in form and substance satisfactory to the Association on the amounts deposited in the Foreign Currency Deposit Account and on the amounts deposited into the Local Currency Deposit

Account with an indication of the exchange rate applied. All amounts withdrawn from the Local Currency Deposit Account shall be used exclusively for budgeted public expenditures and in compliance with Section F below.

- E. Audit.** Upon the Association's request, the Recipient shall:
1. have both Deposit Accounts audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;
 2. furnish to the Association as soon as available, but in any case not later than four (4) months after the date of the Association's request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request, and make such report publicly available in a timely fashion and in a manner acceptable to the Association; and
 3. furnish to the Association such other information concerning the Deposit Accounts and their audit as the Association shall reasonably request.
- F. Excluded Expenditures.** The Recipient undertakes that the proceeds of the Financing shall not be used to finance Excluded Expenditures. If the Association determines at any time that an amount of the Financing was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the Association, refund an amount equal to the amount of such payment to the Association. Amounts refunded to the Association upon such request shall be cancelled.
- G. Closing Date.** The Closing Date is December 31, 2017.

SCHEDULE 2

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each February 15 and August 15, commencing February 15, 2023 to and including August 15, 2054	1.5625%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.

APPENDIX

Section I. Definitions

1. “*Banque Nationale du Rwanda*” or “National Bank of Rwanda” means the central bank of the Recipient, established and operating pursuant to the Recipient’s Law No. 55/2007 of July 30, 2007.
2. “Deposit Accounts” means both the Foreign Currency Deposit Account and the Local Currency Deposit Account.
3. “Excluded Expenditure” means any expenditure:
 - (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Association or the Bank has financed or agreed to finance, or which the Association or the Bank has financed or agreed to finance under another credit, grant or loan;
 - (b) for goods included in the following groups or sub-groups 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 Recipient:

Group	Sub-group	Description of Item
112		Alcoholic beverages
121		Tobacco, un-manufactured, 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; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	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)

- (c) for goods intended for a military or paramilitary purpose or for luxury consumption;
 - (d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party);
 - (e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
 - (f) with respect to which the Association determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Financing proceeds, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the Association to address such practices when they occur.
4. "Foreign Currency Deposit Account" means the account referred to in Part D. 1 (a).of Section II of Schedule 1 to this Agreement.
 5. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010 with the modifications set forth in Section II of this Appendix.
 6. "Local Currency Deposit Account" means the account referred to in Part D. 1(b) of Section II of Schedule 1 to this Agreement.
 7. "Minimum Package for Graduation" means a set of concrete actions to be taken in the context of social protection to strengthen the livelihoods of households or recipients

in order to enable them to maintain themselves out of extreme poverty in the medium to long term without support from social protection programs.

8. “National Early Childhood Development Policy” means the Recipient’s policy approved by the Recipient’s cabinet on May 25, 2016 defining the policy and strategy for the promotion of early childhood development services.
9. “National Identification Agency” means the Recipient’s agency responsible for national population registration and the issuance of national identification cards, established and operating pursuant to the Recipient’s law N° 43/2011 of 31/10/2011.
10. “National Social Protection Registry” means a database of individuals and households enrolled in social protection programs, and their associated benefit details, cross-referenced using their national identification numbers.
11. “Program” means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated September 15, 2016 from the Recipient to the Association declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution.
12. “Sector” means an administrative subdivision of the Recipient, established pursuant to its Organic Law No. 29/2005 of December 31, 2005.
13. “Selected Social Protection Programs” means the social protection programs that include VUP Programs and the livestock asset transfer programs of the Recipient’s Ministry of Agriculture and Animal Husbandry.
14. “Single Withdrawal Tranche” means the amount of the Financing allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
15. “Social Protection Management Information System” means the system created through the establishment of a National Social Protection Registry linked to analytics and reporting software that allows the automated production of progress and performance reports using data from multiple program-level management information systems.
16. “Ubudehe Database” means a national database containing household socioeconomic information and poverty categorizations.
17. “Vision 2020 Umurenge Program” or “VUP” means an integrated local development program of the Recipient inaugurated in 2007 which aims at accelerating poverty reduction, rural growth and social protection by supporting the vulnerable and poor in society through provision of direct support cash transfers, engagement in labor intensive public works and provision of microcredit financial services.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.
2. Sections 2.04 (*Designated Accounts*) and 2.05 (*Eligible Expenditures*) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.
3. Sections 4.01 (*Project Execution Generally*), and 4.09 (*Financial Management; Financial Statements; Audits*) are deleted in their entirety, and the remaining Sections in Article IV are renumbered accordingly.
4. Paragraph (a) of Section 4.05 (renumbered as such pursuant to paragraph 3 above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.
5. Paragraph (c) of Section 4.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

“Section 4.06. *Plans; Documents; Records*

- (c) The Recipient shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Financing until two years after the Closing Date. The Recipient shall enable the Association’s representatives to examine such records.”
6. Section 4.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

“Section 4.07. *Program Monitoring and Evaluation*

- (c) The Recipient shall prepare, or cause to be prepared, and furnish to the Association not later than six months after the Closing Date, a report of such scope and in such detail as the Association shall reasonably request, on the execution of the Program, the performance by the Recipient and the Association of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Financing.”

7. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The definition of the term "Eligible Expenditure" is modified to read as follows:

"Eligible Expenditure" means any use to which the Financing is put in support of the Program, other than to finance expenditures excluded pursuant to the Financing Agreement."

(b) The term "Financial Statements" and its definition as set forth in the Appendix are deleted in their entirety.

(c) The term "Project" is modified to read "Program" and its definition is modified to read as follows:

"Program" means the program referred to in the Financing Agreement in support of which the Financing is made." All references to "Project" throughout these General Conditions are deemed to be references to "Program".