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GRANT NUMBER H452-RW

# Financing Agreement

(Fifth Poverty Reduction Support Grant)

between

REPUBLIC OF RWANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 19, 2009

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**FINANCING AGREEMENT**

AGREEMENT dated March 19, 2009, 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 of the Schedule to this Agreement, and (b) the Recipient’s maintenance of an appropriate 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 grant in an amount equivalent to fifty-three million Special Drawing Rights (SDR 53,000,000) (“Financing”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with Section II of the Schedule 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 Payment Dates are May 15 and November 15 in each year.
- 2.05. The Payment Currency is the Dollar.

**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 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 the Schedule to this Agreement.

**ARTICLE IV — REMEDIES OF THE ASSOCIATION**

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

**ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. 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 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 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 /s/ James Musoni**

**Authorized Representative**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By /s/ Victoria Kwakwa**

**Authorized Representative**

## SCHEDULE

### Program Actions; Availability of Financing Proceeds

#### Section I. Actions Taken Under the Program

The actions taken by the Recipient under the Program include the following:

A. Education

Publication, on the official website of the Recipient's ministry at the time responsible for education, of the Policy on Technical and Vocational Education and Training.

B. Energy

Submission, to the Recipient's Parliament for approval, of a new law on electricity and gas, satisfactory to the Association, establishing a transparent regulatory framework and an environment conducive to private sector participation in the sector, and clarifying the roles and responsibilities of stakeholders in the sector.

C. Water

Establishment of a water and sanitation management information system, satisfactory to the Association and including a national inventory of water and sanitation infrastructure, for purposes of facilitation of effective water resource management.

D. Roads

Adoption, by the Recipient's Cabinet, of a road maintenance strategy, satisfactory to the Association, including a framework for the financing and operationalization of road maintenance, and clarifying the roles and responsibilities of the central government and Districts in road maintenance.

E. Agriculture

Completion, by the Recipient's ministry at the time responsible for agriculture, of feasibility studies, satisfactory to the Association, on watershed management in at least four (4) of the thirty-four (34) sites identified for watershed management and terracing under the Land Husbandry, Water Harvesting, and Hillside Irrigation Program, and including a technical assessment of such pilot activities and mapping of areas requiring protection through watershed management and terracing.

F. Finance

Execution of a memorandum of understanding, satisfactory to the Association, between the Recipient's ministry at the time responsible for agriculture and the National Bank of Rwanda, for purposes of implementation of a grant to support the financing of rural investments under the Second Rural Investment Facility.

G. Public Expenditure Management

Completion of development of PublicBooks software, satisfactory to the Association, for purposes of improvement of budget preparation, reporting, and accounting in the Recipient's budget agencies.

H. Public Procurement

Publication, on the official website of the Rwanda Public Procurement Authority, of the 2008 annual report of the independent panel addressing appeals by contractors of public procurement decisions, for purposes of improvement of transparency and accountability in public procurement.

**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 shall be withdrawn in a single tranche. The allocation of the amounts of the Financing to this end is set out in the table below:

Allocations	Amount of the Financing Allocated (expressed in SDR)
Single Tranche	53,000,000
TOTAL AMOUNT	53,000,000

**C. Deposits of Financing Amounts.** Except as the Association may otherwise agree:

1. all withdrawals from the Financing Account shall be deposited by the Association into an account designated by the Recipient and acceptable to the Association; and

2. the Recipient shall ensure that upon each deposit of an amount of the Financing into this account, an equivalent amount is accounted for in the Recipient's budget management system, in a manner acceptable to the Association.

**D. Audit.** Upon the Association's request, the Recipient shall:

1. have the account referred to in Section II.C.1 of the Schedule to this Agreement 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
3. furnish to the Association such other information concerning such account and its audit as the Association shall reasonably request.

**E. 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.

**F. Closing Date.** The Closing Date is June 30, 2010.



## APPENDIX

### Section I. Definitions

1. “District” means an administrative area of the Recipient, established pursuant to the Recipient’s Law No. 29/2005 of December 31, 2005, representing a designated area and population within the territory of the Recipient.
2. “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.
3. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006) with the modifications set forth in Section II of this Appendix.
  4. “Land Husbandry, Water Harvesting, and Hillside Irrigation Program” means the Recipient’s program, as set out in its program document of March 2007, designed to increase the productivity and commercialization of hillside agriculture, support water harvesting and irrigation through the adoption of suitable technologies, and to provide a foundation for sustainable hillside intensification sustained agricultural productivity growth.
  5. “National Bank of Rwanda” (*Banque Nationale du Rwanda*) means the Recipient’s central bank.
  6. “Policy on Technical and Vocational Education and Training” means the Recipient’s policy, dated November 28, 2008, designed to develop knowledge and skills through training activities for employed and self-employed individuals in the market force.

7. “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 February 9, 2009 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.
8. “PublicBooks Software” means the Recipient’s integrated software for budget preparation, execution, accounting, and reporting.
9. “Rwanda Public Procurement Authority” means the Recipient entity established and operating pursuant to its Law No. 63/2007 of December 12, 2007 and charged with organization, supervision, analysis and advisory functions on public procurement matters.
10. “Second Rural Investment Facility” means the Recipient’s program under its Ministry in charge of agriculture, as per the Recipient’s Second Strategic Plan for the Transformation of Agriculture, Program 3, Sub-Program 3.6, clause 3.6.e (i), which is administered by the National Bank of Rwanda, and designed to provide financial incentives through investment cost subsidy to private sector operators, including farmer groups, for investment activities involving extensive economic or environmental externalities.
11. “Single Tranche” means the amount of the Financing allocated to the category entitled “Single Tranche” in the table set forth in Part B of Section II of the Schedule to this Agreement.

## **Section II. Modifications to the General Conditions**

The modifications to the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006) 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. Section 2.05 (renumbered as such pursuant to paragraph 2 above) is modified to read as follows:

### *“Section 2.05. Refinancing Preparation Advance*

If the Financing Agreement provides for the repayment out of the proceeds of the Financing of an advance made by the Association or the Bank (“Preparation Advance”), the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the

date of such withdrawal from the Financing Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Association shall pay the amount so withdrawn to itself or the Bank, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

4. 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.
5. 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.
6. 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.”

7. 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.”

8. 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”.

(d) The term “Program Preparation Advance” (renamed as such pursuant to subparagraph 8 (c) above) is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.05.”

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