The World Bank INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street N.W. Washington, D.C. 20433 U.S.A. (202) 473-1000 Cable Address: INTBAFRAD Cable Address: INDEVAS

13-May-2020 , 2020

Hon. Dr. Uzziel Ndagijimana Minister of Finance and Economic Planning Ministry of Finance and Economic Planning P.O. Box 158 Kigali – Rwanda

Dear Hon. Dr. Ndagijimana,

Re: Republic of Rwanda – SCF-SREP Grant No. TF0A4990 Renewable Energy Fund Project Amendment to the Grant Agreement

We refer to the Grant Agreement SCF-SREP Grant No. TF0A4990 dated July 7, 2017 between the Republic of Rwanda (the "Borrower") and the International Development Association (the "World Bank") as implementing entity of the Scaling-up Renewable Energy Program under the Strategic Climate Fund (the "Loan Agreement") for the Renewable Energy Fund Project (the "Project"). We also refer to your letter dated December 23, 2019 requesting the Association to restructure the Project as to modify the criteria and scope of eligibility under the Renewable Energy Fund ("REF") funding windows, the implementation arrangements and such other matters as agreed upon between the Borrower and the World Bank.

We are pleased to inform you that the Association agrees to the request to restructure the Project. To this end, by countersigning this Letter, the Recipient agrees to the World Bank hereby amending the Grant Agreement as follows:

1. Part 1 of Schedule 1 to the Grant Agreement is amended by replacing the heading to Part 1 and the immediate paragraph under Part 1 to read as follows:

"Part 1. Lines of Credit, Direct Loan Financing and Partial Grants for Off-Grid Electrification

Set-up and operationalization of a Renewable Energy Fund (REF) as a local-currency line of credit, direct loan financing and results-based financing facility to help address access to finance and affordability constraints that stall acceleration of off-grid electrification in the territory of the Recipient."

- 2. Part 1(a) of Schedule 1 to the Grant Agreement is amended by inserting a new paragraph 1(a) to read as follows:
 - "Window 1 On-lending through SACCOs to households, Enterprises and Off-Grid Solar Companies. Wholesale line of credit to the Project Implementing Entity for further on-lending to qualifying SACCOs, under SACCO Subsidiary Credit Lines, for the purpose of extending Final Direct Loans to eligible Final Beneficiaries (households, Enterprises and Off-Grid Solar Companies "OSCs"), for the acquisition and, possibly in the case of the OSCs hereunder, distribution of qualifying solar systems"
- 3. Part 1(b) of Schedule 1 to the Grant Agreement is amended by inserting a new paragraph 1(b) to read as follows:

- "Window 2 On-lending through commercial banks and microfinance institutions to households, Enterprises and OSCs. Wholesale line of credit to the Project Implementing Entity, for on-lending to eligible Participating Banks, under Participating Bank Credit Lines, for the purpose of extending Final Direct Loans to eligible Final Beneficiaries (households, Enterprises and OSCs) for the acquisition and possibly, in the case of OSCs hereunder, distribution, of qualifying solar systems."
- 4. Part 1(d) of Schedule 1 to the Grant Agreement is amended by inserting a new paragraph 1(d) to read as follows:
 - "Window 4 Direct Loan financing to locally-registered OSCs. Provision of Direct Loans to Final Beneficiaries (qualifying locally registered OSCs supporting Tier 1 or higher solar systems or locally registered OSCs serving poor households under the Recipient's programs).
- 5. Part 1 of the Grant Agreement is amended by inserting a new para. (e) to read as follows:
 - "Window 5 Results Based Financing Facility ("RBF Facility") to OSCs. Provision of results-based partial grants ("RBF Grants") to eligible OSCs to facilitate the sale of Tier 1 or higher solar systems and provision of after sale services to Final Beneficiaries (qualifying households)."
- 6. Parts C(3), D(1.2)(a) and E(1.2)(a) of Schedule 2 to the Grant Agreement are amended by inserting the words "and retain" immediately after the word "obtain".
- 7. Part B, para. 1(b) of Schedule 2 to the Grant Agreement is amended by replacing para. 1(b) to read as follows:
 - "as a grant, the proceeds of the Grant allocated from time to time to Category 2 and 3 of the table set forth in Section IV.A.2 of this Schedule 2; all under a subsidiary financing agreement between the Borrower and the Project Implementing Entity (the "Subsidiary Financing Agreement"), under terms and conditions approved by the World Bank, which shall include the following: (i) the principal amount of the financing made available under the Subsidiary Financing Agreement, denominated in Rwandan francs; (ii) the financing terms of the subsidiary financing to be made available under the Subsidiary Financing Agreement, which shall reflect the interest at a rate determined pursuant to the blend of financing sources from which the subsidiary financing is derived (the Loan and the Grant), plus a spread to account for currency exchange risk of no more than 150 basis points; (iii) the right of the Borrower to suspend or terminate the right of the Project Implementing Entity to use said proceeds of the said financing, and to obtain a refund of all or any part of the amount of the subsidiary financing then withdrawn, upon the failure of the Project Implementing Entity to perform any of its obligations under the Subsidiary Financing Agreement."
- 8. The Grant Agreement is amended by inserting a new Part EE in Section I of Schedule 2 to read as follows:

"EE. Results Based Financing Facility.

- 1.1 The Recipient shall cause the PIE to:
 - (a) prepare a manual containing detailed arrangements and procedures for administering the RBF Facility including *inter alia*, eligibility criteria and procedures for the selection of participating OSCs, criteria for the verification of sales and provision of after-sale services to qualifying households and the verification of the eligibility of the Final Beneficiaries for purposes of the RBF Grant;

- (b) furnish to and exchange views with the Association on such manual promptly upon its preparation, and consequently adopt such manual as shall have been approved in writing by the Association ("RBF Manual") and integrate it as an annex to the Project's Operations Manual.
- 1.2 The Recipient shall ensure that the RBF Facility is implemented in accordance with and that the RBF Grants are made to eligible OSCs selected in accordance with the RBF Manual.
- 1.3 The RBF Manual shall not be amended, abrogated or any provision thereof waived unless the Association has provided its prior written 'no-objection', and in the event of any conflict between the provisions of the RBF Manual and those of this agreement, the provisions of this agreement shall prevail."
- 9. The table under Part A, para. 2 of Section IV is deleted and replaced with the table below:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)	
(1) Subsidiary Credit Lines and Direct Loans under Part 1 of the Project	3,440,000	7%	
(2) Goods, consulting services, non-consulting services, Operating Costs and Training under Part 2 of the Project	3,000,000	100%	
(3) RBF Grants provided under Part 1 of the Project	15,000,000	33%	
TOTAL AMOUNT	21,440,000		

- 10. Part B, para. 1 of Section IV, Schedule 2 to the Grant Agreement is amended by deleting para. 1 and replacing it as follows:
 - "1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement; and
 - (b) under Category (3) for RBF Grants unless and until the Recipient has prepared and adopted the RBF Manual, in form and substance acceptable to the Association, in accordance with the provisions of Section I.EE of this Schedule.
- 11. The Appendix to the Grant Agreement is amended as follows:
 - (a) A new definition 4A "Enterprises" is added to read as follows:
 - "Enterprise(s)" means an entity registered and operating in the Republic of Rwanda that purchases for own use Tier-1 (or higher) solar systems under the REF.
 - (b) Definition 6 "Final Beneficiaries" is amended and replaced to read as follows;

"Final Beneficiaries" means qualifying households, Enterprises, , locally registered Off-Grid Solar Companies, solar system importers, wholesalers, retailers, installers, , and mini-grid developers meeting the respective eligibility criteria and conditions specified in the Operations Manual under the respective on-lending windows for Final Direct Loans, or under the activated windows for Direct Loans, as the case may be, under Part 1 of the Project.

(c) Definition 14 "Participating Banks" is amended and replaced to read as follows;

"Participating Banks" means commercial banks and microfinance institutions to be selected by the Project Implementing Entity for participation in the Participating Bank Subsidiary Credit Line under Part 1 of the Project, on the basis of the criteria and approval procedures set forth in the Operations Manual, and in accordance with the provisions of Section I.D.1 of the Schedule to the Project Agreement.

(d) A new definition 24A "RBF Facility" is added to read as follows:

"RBF Facility" or "Results-based Financing Facility" means the facility established under Part 1(e) of the Project for the provision of RBF Grants to eligible OSCs to facilitate affordability of Tier 1 or higher solar systems for low income households.

(e) A new definition 24B "RBF Grant" is added to read as follows:

"RBF Grant" means the partial grant provided to eligible OSCs under the RBF Facility for the sale of Tier 1 or higher solar systems and provision of after sale services to Final Beneficiaries (low income households).

- (f) A new definition 24C "RBF Manual" is added to read as follows:
 - "RBF Manual" means the manual prepared and adopted by the Recipient as referred to in part (EE) of Section I, Schedule 2 to this agreement.
- (g) Definition 34 "SMEs" is deleted.
- (h) Definition 35 "Sub-projects" is amended and replaced to read as follows;

"Sub-projects" means qualifying Tier-1 (or higher) solar systems to be acquired by qualifying Final Beneficiaries under the terms of Final Direct Loans under Windows 1 or 2 of the REF, or qualifying renewable-energy based mini-grids to be developed under the terms of Direct Loans under Window 3 of the REF.

In addition to the above amendments, please be notified that the Results Framework under the Project has been revised and the revised Results Framework is set out in the Restructuring Paper.

All the terms and conditions of the Grant Agreement that have not been amended hereby shall remain unchanged and in full force and effect.

Please indicate your agreement with the foregoing amendments on behalf of the Recipient by countersigning and dating two (2) original copies of this Amendment Letter and returning one countersigned original to us. Upon receipt by the Association of the countersigned copy, the amendments shall become effective as of the date of your countersignature to this Amendment letter.

Sincerely,

Yasser El-Gammal

Yasser El-Gammal Country Manager for Rwanda Africa Region

AGREED:

THE REPUBLIC OF RWANDA

By:	Ur. Uzziel Ndagijimana		
Auth	orized Representative Dr. Uzziel Ndagijimana		
Title:	Minister of Finance and	Economic	Planning
Date:	13-May-2020		