

CONFORMED COPY

GRANT NUMBER H355-RW

Financing Agreement

(Fourth Poverty Reduction Support Grant)

between

REPUBLIC OF RWANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 7, 2008

FINANCING AGREEMENT

AGREEMENT dated March 7, 2008, 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 forty four million one hundred thousand Special Drawing Rights (SDR 44,100,000) (“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 The Maximum Commitment Charge Rate payable by the Recipient on the Un-withdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.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 exchange views with the Association on any proposed action to be taken after the disbursement of the Financing 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 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; a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V — 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 the Recipient's 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)

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/ Colin Bruce

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. Health

Submission to the Recipient's Parliament of a law, satisfactory to the Association, regulating health insurance in the Recipient's territory.

B. Education

Completion of an assessment, satisfactory to the Association, of newly established lower secondary schools to identify the resource needs of these schools.

C. Energy

Submission to the Recipient's Parliament of legislation, satisfactory to the Association, establishing separate water and electricity utilities designed to improve the management and performance of the water and electricity sectors.

D. Water

Mainstreaming of the Water and Sanitation Strategy and Integrated Water Resources Management National Program in the Recipient's 2008 budget through the allocation of funds to strengthen implementation and monitoring capacity at central and regional level.

E. Agriculture

Allocation of increased resources in the Recipient's 2008 budget, satisfactory to the Association, for water harvesting and irrigation in the Bugesera and Kirehe regions of the Recipient's territory.

F. Financial Sector

Submission to the Recipient's Parliament of a micro-finance law, satisfactory to the Association.

G. Public Expenditure Management

Introduction and application in each of the Recipient's Districts of a software program, satisfactory to the Association, designed to assist the Districts in the management and monitoring of their budgets.

H. Public Procurement

Adoption of public procurement regulations, standards, and standard bidding documents, satisfactory to the Association, and publication of the aforementioned on the website of the Recipient's National Tender Board.

I. Fiscal Decentralization

Publication on the Recipient's website, in a manner satisfactory to the Association, of: (a) a District budget execution report, satisfactory to the Association, for the period from January through June 2007; and (b) an evaluation, satisfactory to the Association, of performance for the period January to September 2007 under the District Imihigo System.

J. Civil Service Reform

Completion, in a manner satisfactory to the Association, of functional reviews of the following ministries: (i) Ministry of Education; (ii) Ministry of Finance and Economic Planning; (iii) Ministry of Health; (iv) Ministry of Infrastructure; (v) Ministry of Lands, Environment, Forestry, Water, and Mines; and (vi) Ministry of Public Service, Skills Development, Vocational Training, and Labor.

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	44,100,000
TOTAL AMOUNT	44,100,000

- 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 December 31, 2008.

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. “District Imihigo System” means the performance contracts signed between the Recipient’s President and each of the District mayors for the implementation of key programs in their mayors’ respective Districts.
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. "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.
 5. "Integrated Water Resources Management National Program" means the Recipient's program designed to assure sustainable and integrated water resources management and development for multipurpose use and set forth or referred to in the following documents: (a) the water law; (b) the human resources development program; (c) the database management; and (d) the technical studies document.
 6. "National Tender Board" means the Recipient's entity established and operating under its prime minister's order of December 31, 2002 and responsible for the organization and management of public procurement policy.
 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 December 21, 2007 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. "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.
9. "Water and Sanitation Strategy" means the Recipient's strategy designed to implement priorities of water and sanitation policy adopted by the Recipient's Cabinet in March 2004.

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. 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”.
