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**GRANT NUMBER H554-RW**

# **Financing Agreement**

**(Sixth Poverty Reduction Support Grant)**

**between**

**REPUBLIC OF RWANDA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated April 16, 2010**

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**FINANCING AGREEMENT**

AGREEMENT dated April 16, 2010, 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 seventy-three million nine hundred thousand Special Drawing Rights (SDR 73,900,000) (“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 March 15 and September 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 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 the Schedule 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 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:

+ 250-252-57-75-81

- 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 /s/ John Rwangombwa**

**Authorized Representative**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By/s/ Omowunmi Ladipo**

**Authorized Representative**

## SCHEDULE

### Program Actions; Availability of Financing Proceeds

#### **Section I. Actions under the Program**

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

##### Energy

1. Completion of the initial phase of implementation of the National Electricity Access Program, as evidenced by the establishment, under the Rwanda Electricity Corporation, and operationalization, of a program management directorate.

##### Water

2. Cabinet approval of: (i) the Recipient's policy for water supply and sanitation services, which defines guiding principles and overall sector objectives to ensure sustainable and affordable access to safe water supply, sanitation and waste management services for all; and (ii) the Recipient's national strategy for water supply and sanitation services, which sets forth a coherent approach to implementing intended policy goals in addressing sector challenges.
3. Adoption of key performance indicators enabling assessment of the technical and financial performance of the Recipient's water utility, thereby strengthening urban water supply monitoring.

##### Roads

4. Implementation of progressive increases in the Recipient's fuel levy, from Rwandan Francs 23.43 to 62 (or \$0.11 equivalent) per liter of fuel no later than September 30, 2009.

##### Agriculture

5. Adoption of an action plan for the September 2009-January 2010 harvesting season for private sector-led fertilizer distribution based on key lessons derived from the pilot program implemented during the September 2008-January 2009 harvesting season.

##### Finance

6. Adoption by the Recipient's Parliament of a law governing payment systems in the financial services sector, and development by the Recipient's central bank of proposed regulations governing payment service providers in the financial services sector.

Public Financial Management

7. Adoption of the payroll module subsystem of the integrated personnel payment information system installed in central government ministries.

Public Procurement

8. Submission, to the Ministry of Finance and Economic Planning by at least eighty percent (80%) of the agencies of the Recipient involved in procurement, of a procurement plan consistent with their allocated budget, and publication by the Rwanda Public Procurement Authority of at least sixty percent (60%) of such plans on its website.

Fiscal Decentralization

9. Completion of an assessment of local-level service delivery, using citizen report cards and community scorecards.

Civil Service Reform

10. Cabinet approval of the organic framework reflecting agreement between the Ministry of Public Service and Labor and all central government ministries on staffing levels and ministerial structures for optimal performance within fiscal limits.

**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 Amount.** The Financing is allocated in a single tranche, from which the Recipient may make withdrawals of the Financing. The allocation of the amount of the Financing to this end is set out in the table below:

| <b>Allocation</b>         | <b>Amount of the Financing Allocated<br/>(expressed in SDR)</b> |
|---------------------------|---|
| Single Withdrawal Tranche | 73,900,000  |
| TOTAL AMOUNT              | 73,900,000  |

- 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, 2011.

## APPENDIX

### Section I. Definitions

1. “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.
2. “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.
  3. “Ministry of Finance and Economic Planning” means the Recipient’s ministry at the time responsible for finance.
  4. “Ministry of Public Service and Labor” means the ministry of the Recipient at the time responsible for public administration.
  5. “National Electricity Access Program” means the program of actions, objectives, and policies designed to extend access to electricity for households, private enterprises, and priority public institutions through the establishment of 350,000 connections by 2012, and set forth or referred to in the Rwanda Electricity Access Program Investment Prospectus dated March 2009 and the letter dated April 27, 2009 from the Recipient to the Association.
  6. “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 2, 2010 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.
  7. “Rwanda Electricity Corporation” means the Recipient’s electricity utility, established and operating pursuant to its Law No. 44/2008 of September 9, 2008.
  8. “Rwandan Franc” means the currency of the Recipient.
  9. “Rwanda Public Procurement Authority” means the Recipient’s entity, established and operating pursuant to its Law No. 63/2007 of December 12, 2007, responsible for organization, supervision, analysis, and advisory functions on public procurement matters.
  10. “Single Withdrawal Tranche” means the amount of the Financing allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Section II.B 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”.

- (a) 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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