

CONFORMED COPY

CREDIT NUMBER 3499 RW

Development Credit Agreement

(Competitiveness and Enterprise Development Project)

between

REPUBLIC OF RWANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 7, 2001

CREDIT NUMBER 3499 RW

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 7, 2001, between REPUBLIC OF RWANDA (the Borrower)

and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received from the Borrower a letter dated March 9, 2001, describing a program of actions, objectives and policies designed to develop the private sector (the Program);

(B) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Program and the Project; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through October 6, 1999), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

“12. ‘Participating Country’ means any country that the Association determines meets the requirements set forth in Section 11 of Resolution No. 194 of the Board of Governors of the Association, adopted on April 8, 1999; and ‘Participating Countries’ means, collectively, all such countries.” ; and

(b) The second sentence of Section 5.01 is modified to read:

“Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.”

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein

set forth and the following additional terms have the following meanings:

(a) “Arbitration Center” means the center, to be established in accordance with the Borrower’s laws, as the same may be amended from time to time;

(b) “BNR” or “Banque Nationale du Rwanda” means the Borrower’s Central Bank established pursuant to the Borrower’s law of April 24, 1964, as amended by Law No. 11/97 of July 26, 1997 and as the same may be amended from time to time;

(c) “CAPMER” means the center for support to small and medium enterprises, to be established under Part A.3 (a) of the Project as referred to in Schedule 2 to this Agreement;

(d) “Deposit Account” means the account referred to in Section 2.02 (b) of this Agreement;

(e) “ELECTROGAZ” means the state utility company owned by the Borrower, established pursuant to Decree-Law No. 18/76 of April 20, 1976, as the same may be amended from time to time, and responsible for the production, transportation and distribution of gas, water and electricity in the territory of the Borrower;

(f) “Eligible Categories” means categories (1), (2) and (4) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(g) “Eligible Expenditures” means the expenditures allocated to the Categories referred to in Section 2.03 (a) of this Agreement;

(h) “Investment Promotion Agency” means the agency established and operating pursuant to Law No. 14/98 of December 18, 1998, as the same may be amended from time to time;

(i) “Legal Component Committee” means the committee to be established and chaired by the Minister of Justice of the Borrower, in charge of monitoring the implementation of Part A.1 of the Project;

(j) “MINIJUST” means the Ministry of Justice of the Borrower;

(k) “OCIR-Thé” means the Borrower’s public enterprise in charge of the tea sector, established and operating pursuant to Decree-Law No. 26/78 of December 5, 1978, as the same may be amended from time to time;

(l) “OCIR-Thé Legal Framework” means the law and/or decree to be adopted by the Borrower pursuant to the provisions of Section 6.01 (b) of this Agreement, to govern the conditions of administration and operation of OCIR-Thé and to restructure it as an independent entity to be in charge of regulating, promoting and monitoring the performance in the tea sector. Such term includes all implementing regulations thereto up to the date of this Agreement;

(m) “ONP” means the Borrower’s National Postal Bureau established and operating pursuant to Law No. 2/92 of March 11, 1992, as the same may be amended from time to time;

(n) “PCU” means the project coordination unit established on December 4, 2000, within the Ministry of Finance of the Borrower, responsible for facilitating, monitoring, evaluating and reporting on Project activities and in charge of the financial management and coordination of the Project implementation;

(o) “Private Sector Federation” means the federation to be established in accordance with the Borrower’ laws, as the same may be amended from time to time;

(p) “Project Management Report” means each report prepared in accordance with Section 4.02 of this Agreement;

(q) “Project Preparation Advance” means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association on May 26, 2000 and on behalf of the Borrower on May 30, 2000;

(r) “RWANDATEL” means the joint stock company in charge of telecommunications services, or any successor thereof, operating pursuant to the Presidential Decree No. 85 of March 2, 1993, as the same may be amended from time to time;

(s) “SMEs” means the small and medium enterprise referred to in Part A.3 of the Project as referred to in Schedule 2 to this Agreement;

(t) “Special Account” means the account referred to in Part B of Schedule 1 to this Agreement;

(u) “Steering Committee” means the committee to be established by the Borrower and chaired by the Minister of Finance and Economic Planning, responsible for the oversight of the Project activities as referred to in Schedule 4 to this Agreement;

(v) “Tranche” means the Financial Sector Tranche and the SMEs Tranche referred to in Schedule 1 to this Agreement; and

(w) “UBPR” means “Union des Banques Populaires du Rwanda”, a network of cooperative banks, established and operating pursuant to its statutes dated December 19, 1999, as the same may be amended from time to time.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to thirty-one million eight hundred thousand Special Drawing Rights (SDR 31,800,000).

Section 2.02. (a) Subject to the provisions of paragraphs (b) and (c) of this Section, the Borrower shall be entitled to withdraw the proceeds of the Credit allocated to Category (3) in the table set forth in Part A.1 of Schedule 1 to this Agreement from the Credit Account in support of

the Program.

(b) The Borrower shall open, prior to furnishing to the Association the first request for withdrawal from Category (3) in the table set forth in Part A.1 of Schedule 1 to this Agreement, and thereafter maintain in BNR, a deposit account in Dollars on terms and conditions satisfactory to the Association. All withdrawals from such Category shall be deposited by the Association into the Deposit Account.

(c) The Borrower undertakes that the proceeds of the Credit allocated from time to time to Category (3) in the table set forth in Part A.1 of Schedule 1 to this Agreement shall not be used to finance expenditures excluded pursuant to the provisions of Part A.5 of Schedule 1 to this Agreement. If the Association shall have determined at any time that any proceeds of such Category shall have been used to make a payment for an expenditure so excluded, the Borrower shall, promptly upon notice from the Association: (i) deposit into the Deposit Account an amount equal to the amount of said payment, or (ii) if the Association shall so request, refund such amount to the Association. Amounts refunded to the Association upon such request shall be credited to the Credit Account for cancellation.

Section 2.03. (a) The amount of the Credit allocated to Categories (1), (2) and (4) of the table set forth in Part A.1 of Schedule 1 to this Agreement may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit.

(b) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.04. The Closing Date shall be July 31, 2007 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.05. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.07 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to

time be designated or selected pursuant to the provisions of that Section.

Section 2.06. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.07. Commitment charges and service charges shall be payable semiannually on April 15 and October 15 in each year.

Section 2.08. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each April 15 and October 15, commencing October 15, 2011 and ending April 15, 2041. Each installment to and including the installment payable on April 15, 2021 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.09. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.10. (a) The Governor of BNR is designated as representative of the Borrower

for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions with respect to withdrawals under Category (3) of the table set forth in Part A.1 of Schedule 1 to this Agreement.

(b) Without limitation or restriction to the foregoing, the Borrower hereby entrusts BNR with responsibility for the preparation of withdrawal applications under the Credit from Category (3) of the table set forth in Part A.1 of Schedule 1 to this Agreement and for the collection of the documents and other evidence to be furnished to the Association in support of such applications.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, environmental and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan designed to ensure the continued achievement of the Project's objectives; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. (a) The Borrower 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 and the actions specified in Part A.6 of Schedule 1 to this Agreement.

(b) Prior to each such exchange of views, the Borrower 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.

(c) Without limitation upon the provisions of paragraph (a) of this Section, the Borrower shall exchange views with the Association on any proposed action to be taken after the disbursement of the Credit 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 Part A.6 of Schedule 1 to this Agreement.

Section 3.05. Upon the Association's request, the Borrower shall:

(a) have the Deposit Account audited in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(b) furnish to the Association as soon as available, but in any case not later than six (6) months after the date of the Association's request for such audit, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(c) furnish to the Association such other information concerning the Deposit Account and the audit thereof as the Association shall have reasonably requested.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested including as part of the information to be provided in each such report, a management letter concerning the Borrower's internal controls; and

(iii) furnish to the Association such other information concerning such records and accounts, and the audit thereof, and concerning said

auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of Project Management Reports or statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the Project Management Reports or statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening its financial management system for the Project in order to enable the Borrower, not later than September 30, 2002, or such later date as the Association shall agree, to prepare quarterly Project Management Reports, acceptable to the Association, each of which:

- (i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;
 - (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and
 - (iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.
- (b) Upon the completion of the action plan referred to in paragraph (a) of this

Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional event is specified, namely that a situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the financial management system referred to under Section 4.01 of this Agreement has been established by the Borrower and has become operational;

(b) the Borrower has adopted the OCIR-Thé Legal Framework in form and substance satisfactory to the Association and said Legal Framework has entered into effect in accordance with its terms;

(c) the Borrower has provided evidence satisfactory to the Association of the promulgation of the new telecommunications law;

(d) the Borrower has provided evidence satisfactory to the Association of the enactment of the required legislation for establishing the Multi-Sector Regulatory Agency;

(e) the Borrower has appointed the independent auditors referred to in Section 4.01 (b) (i) of this Agreement, with qualifications and under contractual arrangements and terms of reference acceptable to the Association; and

(f) the Borrower has prepared, under terms of reference satisfactory to the Association, and furnished to the Association a Project Implementation Plan (PIP) including a detailed procurement plan satisfactory in form and in substance to the Association.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby

specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.10 of this Agreement, the Minister of Finance and Economic Planning of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

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

Cable address:

MINFIN-RWANDA

Telex:

22687
MINFIN-RAW

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

Facsimile:

(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF RWANDA

By

/s/ Richard Sezibera
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Theodore Ahlers
Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

A. General

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods under:		100% of foreign expenditures and 90% of local expenditures
(a) Part A.1 (b) of the Project	120,000	
(b) Part A.3 (b) of the Project	160,000	
(c) Part B.2 of the Project	5,050,000	
(d) the other Parts of the Project	830,000	

(2)	Consultants' services and training under:		
	(a) Part A.1 (b) of the Project	80,000	100%
	(b) Part A.3 (b) of the Project	780,000	100%
	(c) Part B.2 of the Project	1,630,000	100% for services performed during the first year of the management contract and 60% thereafter
	(d) Part B.4 of the Project	390,000	100%
	(e) the other Parts of the Project	12,580,000	100%
	(f) audits	240,000	100%
(3)	Tranche for:		100% of foreign expenditures
	(a) Financial Sector	3,890,000	
	(b) SMEs	3,890,000	
(4)	Incremental Operating Costs	530,000	95%
(5)	Refunding of Project Preparation Advance	470,000	Amount due pursuant to Section 2.03 (b) of this Agreement
(6)	Unallocated	1,160,000	
	TOTAL	31,800,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

(c) "Tranche for Financial Sector" means the proceeds of the Credit allocated to Category 3 (a) in the table set forth in Part A.1 of this Schedule, related to Part A.4 (d) of the

Project referred to in Schedule 2 to this Agreement;

(d) “Tranche for SMEs” means the proceeds of the Credit allocated to Category 3 (b) in the table set forth in Part A.1 of this Schedule related to Part A.3 (c) of the Project referred to in Schedule 2 to this Agreement; and

(e) “Incremental Operating Costs” means expenditures incurred by the PCU on account of the Project implementation, management, and monitoring, including utility charges, office supplies, operation and maintenance of vehicles and equipment, fuel, local transport and supervision costs, bank charges for the operation of the Special Account and fees of the PCU staff excluding salaries of officials of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; (b) expenditures under Categories 1 (a) and 2 (a), unless the Borrower has provided evidence satisfactory to the Association that the Arbitration Center has been duly registered in accordance with the laws of the Borrower; (c) expenditures under Categories 1 (b) and 2 (b), unless the Borrower has provided evidence satisfactory to the Association that CAPMER has been established as a legal entity in accordance with the laws of the Borrower; (d) expenditures under Categories 1 (c) and 2 (c) unless the Borrower has provided evidence satisfactory to the Association that the management contract for ELECTROGAZ has been entered into; and (e) expenditures under Category 2 (d), unless the Borrower has provided evidence satisfactory to the Association that the Private Sector Federation has been duly registered in accordance with the laws of the Borrower.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) goods under contracts costing less than \$100,000 equivalent each; (b) services under contracts for consulting firms costing less than \$25,000 equivalent each; (c) services under contracts for individual consultants costing less than \$25,000 equivalent each; (d) training; and (e) Incremental Operating Costs, under such terms and conditions as the Association shall specify by notice to the Borrower.

5. Notwithstanding the provisions of paragraph 1 above, and for purposes of Section 2.02 of this Agreement, the proceeds of the Credit allocated to Category (3) shall not be used to finance any of the following expenditures:

(a) expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

(b) expenditures for goods or services supplied under a contract which any national or international financing institution or agency other than the Association shall have financed or agreed to finance, or which the Association shall have financed or agreed to finance under another credit;

(c) expenditures for goods included in the following groups or subgroups 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 Borrower:

<u>Group</u>	<u>Subgroup</u>	<u>Description of Items</u>
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured, 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)

(d) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;

(e) expenditures for environmentally hazardous goods (for purposes of this paragraph the term "environmentally hazardous goods" means goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party and any other goods designated as environmentally hazardous by agreement between the Borrower and the Association);

(f) expenditures: (i) in the territories of any country which is not a member of the Bank or for goods procured in, or services supplied from, such territories; or (ii) on account of any payment to persons or entities, or any import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(g) expenditures under a contract in respect of which the Association determines that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Credit during the procurement or execution of such contract, without the

Borrower having taken timely and appropriate action satisfactory to the Association to remedy the situation.

6. No withdrawal shall be made from the Credit Account under Category (3) of the table set forth in Part A.1 of this Schedule unless the Association shall be satisfied after an exchange of views as described in Section 3.04 of this Agreement based on evidence satisfactory to the Association:

- (i) that the macro-economic policy framework of the Borrower is satisfactory as measured on the basis of indicators agreed between the Borrower and the Association;
- (ii) that the Borrower has achieved progress satisfactory to the Association in the carrying out of the Program;
- (iii) that the following actions have been taken in form and in substance satisfactory to the Association with respect to Category 3 (a): (a) the BNR has adopted adequate regulation satisfactory to the Association for the supervision of the micro-finance sector; (b) the bylaws of UBPR have been duly amended to provide sufficient independence to management; (c) BNR has issued instructions to UBPR to convert pre-war dormant accounts into tier two capital; and (d) BNR and UBPR have entered into a memorandum of understanding including performance indicators in accordance with guidelines acceptable to the Association; and
- (iv) that with respect to Category 3 (b), the Borrower has provided evidence satisfactory in form and in substance to the Association that the start-up fund for SMEs has been established under terms and conditions satisfactory to the Association.

7. If after any of the exchange of views referred to in Parts A.5 and A.6 above, the Association shall have given notice to the Borrower that the requirements thereof or the actions taken, as the case may be, are not satisfactory and, within ninety (90) days after such notice, the Borrower shall not have met such requirements, or taken such actions, as the case may be, then the Association may, by notice to the Borrower, cancel the unwithdrawn amount of the Credit or any part thereof.

B. Special Account

1. The Borrower shall open and maintain in United States dollars a special deposit account in its Central Bank, on terms and conditions satisfactory to the Association.

2. After the Association has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Credit Account of amounts to be deposited into the Special Account shall be made as follows:

(a) until the Association shall have received: (i) the first Project Management Report referred to in Section 4.02 (b) of this Agreement; and (ii) a request from the Borrower for withdrawal on the basis of Project Management Reports, withdrawals shall be made in

accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Association of a Project Management Report pursuant to Section 4.02 (b) of this Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if the Association determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

(b) if the Association determines at any time that all further withdrawals should be made by the Borrower directly from the Credit Account; or

(c) if the Borrower shall have failed to furnish to the Association within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

5. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to sub-paragraph (a), (b) or (c) of this paragraph 6 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Development Credit Agreement.

Annex A
to
SCHEDULE 1

Operation of Special Account
When Withdrawals Are Not Made
On the Basis of Project Management Reports

1. For the purposes of this Annex, the term “Authorized Allocation” means an amount equivalent to US\$1,800,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to US\$900,000 until the aggregate amount of withdrawals from the Credit Account, excluding Category (3), plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal or exceed the equivalent of SDR2,900,000.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the said Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested.

(b) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

Annex B
to
SCHEDULE 1

Operation of Special Account
When Withdrawals Are Made
On the Basis of Project Management Reports

1. Except as the Association may otherwise specify by notice to the Borrower, all withdrawals from the Credit Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.
2. Each application for withdrawal from the Credit Account for deposit into the Special Account shall be supported by a Project Management Report.
3. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in the Special Account, shall not exceed the equivalent of US\$6,000,000.

SCHEDULE 2

Description of the Project

The objective of the Project is to establish an enabling environment for private sector-led economic growth and poverty reduction within the Borrower's territory.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Improvement of the Legal and Business Environment Affecting Private Sector Development

1. Enhancing the Justice System and the Legal Framework
 - (a) Establishing a commercial court through the provision of: (i) technical advisory

services for the harmonization of laws and regulations relating to the organization of the judiciary and the law creating the commercial court; (ii) training for the judges, magistrates, court administrators and other auxiliaries of the commercial court; and (iii) technical advisory services and equipment for the establishment of a case management system.

(b) Strengthening the institutional capacity of the Arbitration Center, through the provision of: (i) computer equipment, software and one vehicle; (ii) training for the arbitrators and administrative personnel; and (iii) technical advisory services for the organization of seminars to promote public awareness about arbitration and the role of the Arbitration Center.

(c) Improving the commercial legislative and regulatory framework through the provision of technical advisory services for: (i) the preparation of an action plan including an updated assessment to establish the corrective measures to resolve the legislative and regulatory constraints affecting private sector development; and (ii) the implementation of selected measures under the said action plan.

(d) Improving the legal documentation center in the MINIJUST to improve access to legal information, through the provision of technical advisory services and equipment.

2. Investment Promotion and Trade Facilitation

Strengthening the operational capacity of the Investment Promotion Agency, to identify bottlenecks in the process of investment implementation and to build up its investor assistance function, through the provision of: (a) technical advisory services to strengthen the capacity of the agency and for the preparation of an investor roadmap study, a five-year corporate plan, and a marketing plan; (b) training of staff and other stakeholders in skills required for investment assistance; and (c) technical advisory services and equipment to design and implement an information system blueprint for appropriate communication and information technologies to efficiently deal with investors.

3. Support to Emerging Business

(a) Establishment of CAPMER's legal entity in accordance with the laws and regulations of the Borrower, through the provision of technical advisory services.

(b) Strengthening the organizational structure and mandate of CAPMER to provide small and medium enterprises with non-financial services required for preparing feasibility studies and technical and business plans and providing training to ensure effective mobilization of resources and business management, through the provision of technical advisory services and equipment.

(c) Provision of financial support for the start-up capital of the SMEs' fund, in accordance with the Program.

(d) Establishing and managing a start-up fund for SMEs to provide financial services, through the provision of technical advisory services.

(e) Improving the competitiveness of private sector firms through the provision of technical advisory services for the establishment of a national innovation and competitiveness unit and for the design and implementation of three industry cluster level change process as

models for other industry groups and on-line off-line business strategy training for personnel of such clusters.

4. Financial Services

(a) Assisting BNR in setting up a “ plan comptable des banques and centrale des bilan” through the provision of technical advisory services.

(b) Assisting the business banking school to be established in Kigali, through the provision of technical advisory services and equipment.

(c) Carrying out a study for an assessment of the financial sector, through the provision of technical advisory services.

(d) Provision of financial support to strengthen the UBPR capital base, in accordance with the Program.

(e) Strengthening the capacity of BNR to carry out effective supervision of the micro-finance sector, through the provision of technical advisory services.

Part B: Improving Efficiency

1. Telecommunications and Postal Services

Improving the Telecommunications and Postal Services through the provision of technical advisory services for: (a) the privatization of RWANDATEL; (b) building the institutional capacity of the Ministry of Public Works, Transport and Communications to manage within the boundaries of the new law and institutional arrangement; (c) the preparation of a feasibility study to provide the current and new services of ONP on a commercial basis; (d) a feasibility study for the implementation of a modern financial management system and tariff readjustment for ONP; and (e) strengthening the corporate structure of ONP.

2. Electricity and Water Services

Restructuring ELECTROGAZ by: (a) financing the management contract for ELECTROGAZ; and (b) providing computer equipment, supplies for a customer billing and a collection system, and spare parts for the production, transport and distribution system.

3. Multi-Sector Regulatory Agency and Privatization Secretariat

(a) Providing support for the establishment of a multi-sector regulatory agency, through the provision of technical advisory services, training and equipment for: (i) building telecommunication expertise, including spectrum management, interconnection and tariff rebalancing; and (ii) building expertise related to water and energy regulation, including environment and safety measures and tariff.

(b) Strengthening the institutional capacity of the privatization secretariat through the provision of technical advisory services, training and equipment.

4. Private Sector Federation

Providing technical advisory services to the Private Sector Federation to: (a) carry out HIV/AIDS awareness campaigns and information dissemination to the private sector in accordance with the Borrower's strategy; and (b) build the operational capacity of its member associations.

Part C: Promoting a Market-Based Tea Industry

Providing technical advisory services to support the privatization transactions of nine state-owned tea factories and estates.

Part D: Project Coordination Unit

Establishment and operation of the PCU, through the provision of technical advisory services and equipment.

* * *

The Project is expected to be completed by January 31, 2007.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: General

1. Goods shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the provisions of the following Parts of this Section I.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: International Competitive Bidding

Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

Part C: Other Procurement Procedures

1. Limited International Bidding

Goods for Part B.2 of the Project, estimated to cost less than \$150,000 equivalent per

contract, up to an aggregate amount not to exceed \$6,800,000 equivalent, and goods, which the Association agrees can only be purchased from a limited number of suppliers, regardless of the cost thereof, may be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

2. National Competitive Bidding

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

3. International or National Shopping

Goods estimated to cost less than \$25,000 equivalent per contract, up to an aggregate amount not to exceed \$300,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for: (i) goods estimated to cost the equivalent of \$100,000 or more; and (ii) the first three contracts for goods of each implementing agency, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines), and (b) the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member

countries” and “member country” shall be deemed to be references, respectively, to “Participating Countries” and “Participating Country”.

Part B: Quality- and Cost-Based Selection

1. Except as otherwise provided in Part C of this Section, consultants’ services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants’ services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services estimated to cost less than \$50,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants’ Qualifications

Services for training estimated to cost less than \$100,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Least-cost Selection

Services for audit may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants’ services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated

to cost the equivalent of \$50,000 or more, and all contracts for audit services, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$25,000 or more, but less than the equivalent of \$50,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$25,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

1. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, no later than twelve (12) months as of the Effective Date, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association the report referred to in paragraph (b) of this Section, within three (3) months as of the submission date of such report, or at such later date as the Association shall request, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

2. The Borrower shall:

(a) implement the Project in accordance with the Project Implementation Plan (PIP) in form and substance acceptable to the Association giving details of all procurement and disbursement arrangements, performance indicators and other administrative, financial and

organizational arrangements, as shall have been agreed with the Association for purposes of the Project; and

(b) carry out the Project in accordance with procedures set out in the PIP, and, except as the Association shall otherwise agree, shall not amend or waive any provision thereof, if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

3. Responsibility for the oversight of the Project activities, general policy guidance, coordination and monitoring of the carrying out of the Project shall be vested in the Steering Committee, to be maintained by the Borrower throughout the duration of the Project in accordance with terms of reference at all times satisfactory to the Association and with membership from the following implementing agencies: (a) the Ministry of Finance and Economic Planning; (b) the Ministry of Commerce, Industry and Handcraft; (c) the MINIJUST; (d) the Ministry of Public Works, Transport and Communications; (e) the Ministry of Energy, Water and Natural Resources; (f) the Investment Promotion Agency; (g) the BNR; (h) the Privatization Secretariat; (i) the Private Sector Federation; and (j) the Project coordinator.

4. Responsibility for facilitating, monitoring, evaluating and reporting on Project activities and for the financial management and coordination of the Project implementation shall be vested in the PCU, to be maintained by the Borrower throughout the duration of the Project with terms of reference at all times satisfactory to the Association.

5. The Borrower shall, not later than three (3) months as of the Effective Date, establish the Legal Component Committee under terms of reference acceptable to the Association.

6. The Borrower shall provide the Association, not later than July 31, 2002, evidence satisfactory to the Association that an adequate building has been allocated for the newly established commercial court.

