H. E. Mr. John Rwangombwa  
Minister of Finance and Economic Planning  
Ministry of Finance and Economic Planning  
P.O. Box 158  
Kigali  
Republic of Rwanda  

Honorable Minister:  

Republic of Rwanda: Advance Agreement for Preparation of Proposed Regional Rusumo Falls Hydroelectric Project  
Project Preparation Advance No.Q822  

In response to the request for financial assistance made on behalf of the Republic of Rwanda ("Recipient"), I am pleased to inform you that the International Development Association ("World Bank") proposes to extend to the Recipient an advance out of the World Bank's Project Preparation Facility in an amount not to exceed three million Dollars ($3,000,000) ("Advance"), on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in financing the activities described in the Annex ("Activities"). The objective of the Activities is to facilitate the preparation of a proposed project designed to enhance the power generation capacities of the Republic of Rwanda, together with the Republic of Burundi and the United Republic of Tanzania, by exploiting the hydropower resources of the Kagera River at the area known as Rusumo Falls and developing a jointly owned and operated hydropower generation (the "Project"), for the carrying out of which such Activities the Recipient has requested the World Bank's financial assistance.  

The Activities are to be co-financed jointly by the Republic of Rwanda, the United Republic of Tanzania and the Republic of Burundi (the "Co financing Party-Countries"). Burundi, Rwanda and Tanzania have each satisfied themselves as to the feasibility and priority of the Activities described in the Annex, and have each requested the World Bank's financial assistance, in the amount of US$3.0 million per country, for a collective amount of US$9.0 million, to carry out the Activities. An overall budget for the Activities has accordingly been agreed with the World Bank up to the amount of US$9.0 million.  

Pursuant to the agreement signed by and between Burundi, Rwanda and Tanzania, dated February 16, 2012, in respect of the Regional Rusumo Falls Hydroelectric Project (the "Tripartite Agreement"), the same Co-financing Party-Countries have entered into, or will hereafter enter into, arrangements whereby the Project Management Unit ("PMU") for the Project, attached to the coordinating unit of the Nile Equatorial Lakes Subsidiary Action Program ("NELSAP-CU"), an instrumentality associated with the Nile Basin Initiative ("NBI"), shall be assigned as the project preparation entity with power to act on behalf of the Co financing Party-Countries in respect of their interests in the Project, to the extent appointed pursuant to the said Tripartite
Agreement, including, specifically, with respect to the management of such financial resources as shall be obtained and committed by the Co financing Party-Countries for the purposes of implementation of the Activities.

The Recipient represents, by confirming its agreement below: (a) that it understands that the provision of the Advance does not constitute or imply any commitment on the part of IBRD or IDA to assist in financing the Project; (b) that it is authorized to enter into this Agreement and to carry out the Activities through its officers, agencies, instrumentalities or assigns (and, specifically, through the assignment of authority to the NBI acting through the PMU as Implementing Entity as referred to in this Agreement); (c) that it is authorized to repay the Advance and perform its other obligations under this Agreement, all in accordance with the provisions of this Agreement.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date specified by the World Bank in accordance with Section 5.01 of the Annex to this Agreement; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received this countersigned copy within 90 days after the date of signature of this Agreement by the World Bank, unless the World Bank has established a later date for such purpose.

Sincerely yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION

By Rajashree Paralkar
Acting Country Director for Rwanda
Africa Region
Authorized Representative

AGREED:
REPUBLIC OF RWANDA
By
Authorized Representative
Name:
Title: Ministry of Finance and Economic Planning
Date: 9 AUG 201
Enclosures:

1. "Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility", dated July 31, 2010; and
2. Disbursement Letter for the Advance of the same date as this Agreement, together with "World Bank Disbursement Guidelines for Projects", dated May 1, 2006.
ANNEX

Article I

Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility dated July 31, 2010 ("Standard Conditions"), constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement, including the Appendix to this Agreement, and the following terms have the following meanings:

(a) "Implementation Agreement" means

(b) "Implementing Entity Statutes" means the relevant international agreements, treaties, and/or minutes of relevant intergovernmental conferences or inter-ministerial councils, pursuant to which the Implementing Entity was established and is operating.

(b) "NELSAP" or "Nile Equatorial Lakes Subsidiary Action Program" means the program established by NBI (hereafter defined), having a coordinating unit office in Kigali, Rwanda.

(c) "NELSAP CU" means the coordinating unit attached to NELSAP and having offices in Kigali, Rwanda, and operating as an instrumentality of the NBI through which the NBI carries out activities relevant to the portion of the assistance program for the Nile Basin that relates to the White Nile and tributaries thereto.

(d) "NBI" or "Nile Basin Initiative" means the regional partnership of NBI Countries adhering to a program for the long-term development and management of the Nile, established pursuant to the agreed minutes of the Council of Ministers of Water Affairs for the Nile Basin Countries (Council of Ministers), dated February 22, 1999, as amended on August 5, 2000, and February 14, 2002.

(e) "PMU" means the Project Management Unit for the Project, a unit attached to the coordinating unit of the Nile Equatorial Lakes Subsidiary Action Program ("NELSAP-CU") and operating under the auspices of the Nile Basin Initiative, and having offices in Kigali, Rwanda, and which has been assigned by the same co-financing Party-Countries, pursuant to the Tripartite Agreement (hereafter defined), to act as the agency of the Implementing Entity, and with power to act on behalf of the co-financing Party-Countries in respect of their interests in the preparation of the Project, to the extent appointed pursuant to the said Tripartite Agreement, including, specifically, with respect to the management of such financial resources as shall be obtained and committed by the co-financing Party-Countries for the purposes of implementation of the Activities.
"Tripartite Agreement" means the agreement dated February 16, 2012, entered into among the Republic of Burundi, Republic of Rwanda, and United Republic of Tanzania, concerning the preparation of the Rusumo Falls Hydroelectric Project.

**Article II**

**Execution of the Activities**

2.01. **Description of the Activities.** The Activities for which the Advance is provided consist of the following:

(a) Strengthening of the NELSAP CU through the provision of technical assistance and staff required for the purpose, and the financing operating costs.

(b) Providing technical assistance and financing operating costs required to design and structure a special purpose vehicle company that would, upon its being legally established, assume responsibilities for, and substitute the Recipient in carrying out further activities relevant to the development of the Project; and that would eventually own, operate and maintain the facilities relevant to the Project.

(c) Preparation, consultation and disclosure of a resettlement action plan for the Project.

2.02. **Execution of the Activities Generally.** The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient shall cause the Activities to be carried out by the Implementing Entity in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) this Article II; (c) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011; and (d) the Implementation Agreement.

2.03. **Institutional and Other Arrangements.**

The Recipient shall make the proceeds of the PPA available to the NBI under a management agreement, in form and substance satisfactory to the World Bank, to be entered into between the Recipient (together with the other co-financing Party-Countries) and NBI/PMU (the “Project Preparation Activities Management Agreement”, or “PPA Management Agreement”). The PPA Management Agreement shall describe the implementation arrangements as referred to in Section 2.04 below.

2.04 **Implementation Agreement.** (a) The Recipient shall ensure that the PPA Management Agreement shall maintain, at all times during the implementation of the Activities, provisions to the following effect:

(i) The Recipient’s obligation to provide the proceeds of the Advance to the NBI on terms and conditions satisfactory to the World Bank;

(ii) NBI’s obligation to carry out the Activities with due diligence and efficiency, in conformity with appropriate administrative, technical, environmental and social practices, under the supervision of qualified and experienced management assisted by competent staff in adequate numbers, and in accordance with the provisions of this Agreement;
(iii) NBI's obligation to carry out the Activities in accordance with the Anti-
Corruption Guidelines;

(iv) The NBI's obligation to procure the goods and services required for the
Activities and to be financed out of the proceeds of the Advance, in accordance with the
provisions of Section 2.08 of this Annex;

(v) The NBI's obligation to furnish all such information as the Recipient or the
World Bank shall reasonably request;

(vi) The NBI's obligations to: (i) maintain a separate financial management system
for the implementation of the Activities; (ii) prepare financial statements in accordance
with consistently applied accounting standards acceptable to the World Bank, adequate to
reflect its operations and financial condition; and (iii) register separately the operations,
resources and expenditures related to the Activities;

(vii) The NBI's obligation to promptly inform the Recipient and the World Bank of
any condition which interferes or threatens to interfere with the progress of the Activities
and the performance of its obligations under the PPA Management Agreement; and

(viii) the NBI's obligation to neither take nor concur in any action which would have
the effect of amending, abrogating, assigning or waiving the PPA Management
Agreement.

(b) The PPA Management Agreement shall include a provision stipulating that in the
case of conflict between the PPA Management Agreement and this Agreement, the latter shall
apply.

2.05. **Institutional and Other Arrangements.**

The Recipient shall take all action required:

(i) to establish the special purpose vehicle company under Part (b) of the Activities
in a timely manner and pursuant to a time-bound schedule acceptable to the World Bank;

(ii) thereafter, to ensure the assignment to the said special purpose vehicle company
all of the powers, rights and obligations referred to in Section 2.04 of this Agreement, in order to
replace the NBI/PMU as the project preparation entity in carrying out such actions relevant to the
further development of the Project and to the accomplishment of the objectives of the Activities, as
shall be deemed appropriate for the purposes of the Project.

2.06. **Monitoring, Reporting and Evaluation of the Activities.** The Recipient shall monitor
and evaluate the progress of the Activities in accordance with the provisions of Section 2.08 of
the Standard Conditions.

2.07. **Financial Management.** (a) The Recipient shall ensure, or cause to be ensured, that a
financial management system is maintained in accordance with the provisions of Section 2.09 of
the Standard Conditions.
The Recipient shall ensure, or cause to be ensured, that interim un-audited financial reports for the Activities are prepared and furnished to the World Bank not later than 45 days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

The Recipient shall cause the Financial Statements for the Activities to be audited in accordance with the provisions of Sections 2.09 (b) of the Standard Conditions.

If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, the Recipient shall have the Financial Statements included in the first audit of financial statements required under the Refinancing Agreement.

If, by the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, such audit of the Financial Statements shall cover the period of the Advance, commencing with the fiscal year in which the first withdrawal under the Advance was made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of the Recipient’s fiscal year in which the Refinancing Date occurs.

Notwithstanding the provisions of paragraphs (i) and (ii) of this Section, the World Bank may request an audit of the Financial Statements prior to the Refinancing Date, covering such period as is indicated in its request. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of such period.

2.08. Procurement

(a) General. All goods, non-consulting services and consultants’ services required for the Activities and to be financed out of the proceeds of the Advance shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”), in the case of goods and non-consulting services;

1 DRAFTING NOTE: The World Bank’s policy on audits normally requires annual audits of financial statements (see OP 10.02, Financial Management), including for activities financed under Advances. The audit provision in the draft agreement for this Advance, however, has been changed to recognize the exception approved in April 2009 by the Head of the World Bank’s FM Sector Board for audits under PPAs. Under the terms of the exception, if the FM Specialist (FMS) determines that an annual audit of the PPA is not needed, then (a) the PPA transactions would be audited with the first year of the Refinancing Agreement or (b) if a loan does not materialize from which the PPA can be refinanced, then the full PPA would be audited at the end of the PPA period. Note that, even under the exception, the Bank retains the right to request an audit.

2 DRAFTING NOTE: Use of the bracketed subparagraphs (i), (ii) and (iii) is warranted in this PPA because the FMS has determined that an annual audit of the PPA is not needed (which should be reflected in the FM assessment report for the PPA and the PPA proposal).
(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Activities in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods and Non-consulting Services

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding subject to the following additional procedures:

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (A) Shopping; (C) Direct Contracting.

(d) Particular Methods of Procurement of Consultants’ Services

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants’ Qualifications; (E) Single-source Selection of consulting firms; (F) Selection of Individual Consultants; and (G) Single-source procedures for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Article III
Withdrawal of the Advance

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Advance in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such
instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies each category of Eligible Expenditures that may be financed out of the proceeds of the Advance ("Category"), the amount of the Advance allocated to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Advance Allocated (expressed in Dollars)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, operating costs, non-consulting services and consultants’ services under the Activities</td>
<td>3,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>3,000,000</td>
<td></td>
</tr>
</tbody>
</table>

For the purpose of this section, the term "Operating Costs" means the expenditures incurred to finance the reasonable cost under the Activities: (i) salaries of the staff (excluding civil servants) of the NELSAP-CU; (ii) per diem and travel expenses of staff required to perform their responsibilities under the Activities; (iii) communication technology (including, without limitation, internet and telephone service); (iv) office maintenance services; (v) translation services, photocopies and publications; and (vi) utilities and office supplies.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Refinancing Date.** The Refinancing Date is June 1, 2013.

**Article IV**

**Terms of the Advance**

4.01. **Service Charge.** The Recipient shall pay a service charge on the Withdrawn Advance Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum. The service charge shall accrue from the respective dates on which amounts of the Advance are withdrawn and shall be paid in arrears in accordance with the provisions of Section 4.02 of this Agreement. Service charges shall be computed on the basis of a 360-day year of twelve 30-day months.

4.02. **Repayment.** The Withdrawn Advance Balance shall be repaid by the Recipient to the World Bank (together with any service charges accrued thereon) in accordance with the provisions of Article IV of the Standard Conditions and the following provisions:

(a) **Refinancing under the Refinancing Agreement:** If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, then the full amount of the Withdrawn Advance Balance shall be repaid to the World Bank (together with any service charges accrued on the Advance to the date of repayment) as soon as the Refinancing Agreement becomes effective, by means of a withdrawal by the World Bank of an amount of the Refinancing
Proceeds equivalent to the Withdrawn Advance Balance plus such service charges, in accordance with the provisions of the Refinancing Agreement.

(b) Repayment in the absence of a Refinancing Agreement: If, on or before the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, or if, by such date or at any time thereafter, it has been so executed but terminates without becoming effective, then:

(i) if the amount of the Withdrawn Advance Balance does not exceed $50,000, it shall be repaid by the Recipient to the World Bank (together with service charges accrued on the Withdrawn Advance Balance to the date of repayment) on such date as the World Bank shall specify in a notice to the Recipient, which shall in no event be earlier than 60 days following the date of dispatch of such notice; and

(ii) if the amount of the Withdrawn Advance Balance exceeds $50,000, it (together with service charges accrued on the Withdrawn Advance Balance to the Notice Date) (the "Aggregate Balance") shall be paid by the Recipient to the World Bank in ten approximately equal semiannual installments, in the amounts and on the dates ("Payment Dates") which the World Bank shall specify in a notice to the Recipient. In no event shall the first Payment Date be set earlier than 60 days following the date ("Notice Date") of dispatch of such notice. The Recipient shall pay a service charge on the Aggregate Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum, payable in arrears on each Payment Date. The service charge shall be computed on the basis of a 360-day year of twelve 30-day months.

Article V
Effectiveness; Termination

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied.

(a) The execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental or corporate action.

(c) The Project Preparation Activities Management Agreement referred to in Section 2.03 of this Annex has been executed on behalf of the Recipient and the Implementing Entity.

(d) The Advance agreement to be entered into between the Recipient and the Republic of Burundi, providing an Advance in support of the Project (the "Burundi Advance Agreement"), has been executed and delivered and all conditions precedent to its effectiveness (other than the effectiveness of this Agreement) have been fulfilled.

(e) The Advance agreement to be entered into between the Recipient and the United Republic of Tanzania, providing an Advance in support of the Project (the "Tanzania Advance Agreement"), has been executed and delivered and all conditions precedent to its effectiveness (other than the effectiveness of this Agreement) have been fulfilled.
5.02. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

Article VI
Additional Remedies

6.01. Additional Events of Suspension. The Additional Events of Suspension consist of the following:

(a) The Implementing Entity’s Statutes has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Implementing Entity to perform any of its obligations under the Implementation Agreement.

(b) The Member Country has taken or permitted to be taken any action which would prevent or interfere with the performance by Implementing Entity of any of its obligations under the Implementation Agreement.

(c) The Implementing Entity shall have failed to perform any obligation under the Implementation Agreement.

(d) IBRD or IDA has declared the Implementing Entity ineligible to receive proceeds of any financing made by IBRD or IDA, or otherwise to participate in the preparation or implementation of any project financed in whole or in part by IBRD or IDA (including as administrator of funds provided by another financier), as a result of: (i) a determination by IBRD or IDA that the Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by IBRD or IDA; and/or (ii) a declaration by another financier that the Implementing Entity is ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.

(e) As a result of events which have occurred after the date of this Agreement, an extraordinary situation has arisen which makes it improbable that the Implementing Entity will be able to perform its obligations under the Implementation Agreement.

(f) The agreed minutes of the Council of Ministers of Water Affairs for the Nile Basin Countries (Council of Ministers), dated February 22, 1999, as amended on August 5, 2000, and February 14, 2002, pursuant to which the Implementing Entity has been established and is operating has been amended, suspended, abrogated, repealed or waived so as to affect materially
and adversely the ability of the Implementing Entity to perform any of its obligations under the Implementation Agreement.

(g) (i) Any agreement ("Advance Agreement") between the Recipient and any co-financing Party Country providing for co-financing ("Co-financing-Advance") to assist in financing the Activities, has failed to become effective by November 30, 2012, or such later date as the World Bank has established by notice to the Recipient; provided, however, that the provisions of this paragraph shall not apply if the Recipient establishes to the satisfaction of the World Bank that adequate funds for the Activities are available from other sources on terms and conditions consistent with its obligations under this Agreement. (ii) Subject to sub-paragraph (iii) of this paragraph: (A) the right to withdraw the proceeds of any Co-financing-Advance has been suspended, canceled or terminated in whole or in part, pursuant to the terms of the respective Advance Agreement; or (B) any Co-financing Advance has become due and payable prior to its agreed maturity. (iii) Sub-paragraph (ii) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the World Bank that: (A) such suspension, cancellation, termination or pre-maturing was not caused by the failure of the recipient of the Co-financing Advance to perform any of its obligations under the Advance Agreement; and (B) adequate funds for the Activities are available from other sources on terms and conditions consistent with the Recipient's obligations under this Agreement.

Article VII
Recipient’s Representative; Addresses

7.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 9.02 of the Standard Conditions is its minister at the time responsible for finance.

7.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 9.01 of the Standard Conditions is:

Minister of Finance and Economic Planning
Ministry of Finance and Economic Planning
P.O. Box 158
Kigali
Republic of Rwanda
Facsimile: +250-577581

7.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 9.01 of the Standard Conditions is:

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

Cable: Telex Facsimile:

INDEVAS 248423 (MCI) or 1-202-477-6391
Washington, D.C. 64145 (MCI)