Financing Agreement
(Third Support to the Social Protection System Development Policy Financing)

between

REPUBLIC OF RWANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 19, 2014
CREDIT NUMBER 5427-RW
GRANT NUMBER H9330-RW

FINANCING AGREEMENT

AGREEMENT dated March 19, 2014, 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.A of Schedule 1 to this Agreement, and (b) the Recipient’s maintenance of an adequate 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 and a credit (collectively, "Financing") in the following amounts:

(a) an amount equivalent to fifteen million six hundred thousand Special Drawing Rights (SDR 15,600,000) ("Grant"); and

(b) an amount equivalent to twenty nine million, nine hundred thousand Special Drawing Rights (SDR 29,900,000) ("Credit").

2.02. The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with Section II of Schedule 1 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%)

2.05. The Payment Dates are February 15 and August 15 in each year.
2.06 The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 2 to this Agreement.

2.07. The Payment Currency is 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 Schedule 1 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 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 248423(MCI) 1-202-477-6391
AGREED at Kigali, Rwanda, as of the day and year first above written.

REPUBLIC OF RWANDA

By

Authorized Representative

Name: CLAVER GAITE

Title: MINISTER OF FINANCE AND ECONOMIC PLANNING

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: CAROLYN TURK

Title: COUNTRY MANAGER
SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

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

1. The Recipient has incorporated learning, training and mentoring objectives in the performance contracts of managerial social protection staff and has adopted a learning, training and mentoring roll out plan for all other staff at central and local government levels.

2. The Recipient has conducted a detailed review of the Ubudehe poverty categorizations and has agreed to an action plan to implement a more objective approach to household level targeting incorporating scorecard and community based poverty targeting approaches.

3. The Recipient has prepared a training manual and introduced a community training and sensitization program for the Vision 2020 Umurenge Program (VUP).

4. The Recipient has installed and piloted a management information system for the VUP in selected Sectors and has adopted an action plan for a coordinated expansion of the management information system to the Genocide Survivors Support Fund (FARG), the Rwanda Demobilization and Reintegration Program (RDRP) and the Decentralized Funding Program (DFP).

5. The Recipient has implemented a telephone based complaints and appeals mechanism to receive and address complaints related to the administration of the social protection programs.

6. The Recipient has adopted a framework for scaling up social protection programs to support eligible beneficiaries in the event of the occurrence of a disaster as an element of the development of the national disaster risk management contingency plan.

7. The Recipient has adopted common monitoring indicators for the VUP, FARG, RDRP and DFP and has continued to report on them on a regular basis.

8. The Recipient has extended labor intensive public works approaches to the agriculture and rural road sectors.
Section II. Availability of Financing Proceeds

A. General. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.

B. Allocation of Financing Amounts. The Financing is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing. The allocation of the amounts of the Financing to this end is set out in the table below:

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Withdrawal Tranche</td>
<td>15,600,000</td>
<td>29,900,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>15,600,000</td>
<td>29,900,000</td>
</tr>
</tbody>
</table>

C. Withdrawal Tranche Release Conditions.

No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied (a) with the Program being carried out by the Recipient, and (b) with the adequacy of the Recipient’s macroeconomic policy framework.

D. Deposits of Financing Amounts.

1. The Recipient shall open, prior to furnishing to the Association the first request for withdrawal from the Financing Account, and thereafter maintain the following two deposit accounts (“Deposit Accounts”) at Banque Nationale du Rwanda on terms and conditions satisfactory to the Association:
   (a) a deposit account in United States Dollars (“Foreign Currency Deposit Account”); and
   (b) a deposit account in Rwandan Franc (“Local Currency Deposit Account”)

2. All withdrawals from the Financing Account shall be deposited by the Association into the Foreign Currency Deposit Account. Upon each deposit of an amount of the Financing into the Foreign Currency Deposit Account, the Recipient shall ensure deposit by Banque Nationale du Rwanda of the local currency equivalent amount into the Local Currency Deposit Account. The Recipient shall promptly, upon each withdrawal from the Financing Account, provide to the Association a report in form and substance satisfactory to the Association on the amounts deposited in the Foreign Currency Deposit Account and on the amounts deposited into the Local Currency Deposit Account with an indication of the exchange rate applied. All amounts withdrawn from the Local Currency Deposit Account shall be used exclusively for budgeted public expenditures and in compliance with Section F below.
E. **Audit.**

Upon the Association’s request, the Recipient shall:

1. have both Deposit Accounts 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 make such report publicly available in a timely fashion and in a manner acceptable to the Association; and

3. furnish to the Association such other information concerning the Deposit Accounts and their audit as the Association shall reasonably request.

F. **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.

G. **Closing Date.** The Closing Date is June 30, 2015.
SCHEDULE 2

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each February 15 and August 15</td>
<td></td>
</tr>
<tr>
<td>commencing August 15, 2024 to and including February 15, 2034</td>
<td>1%</td>
</tr>
<tr>
<td>commencing August 15, 2034 to and including February 15, 2054</td>
<td>2%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.
APPENDIX

Section I. Definitions


2. "Decentralized Funding Program" or "DFP" means a program implemented by the Ministry of Local Government of the Recipient in which small earmarked transfers are made to Districts for purposes of social protection.

3. "Deposit Accounts" means both the Foreign Currency Deposit Account and the Local Currency Deposit Account.


5. "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:
<table>
<thead>
<tr>
<th>Group</th>
<th>Sub-group</th>
<th>Description of Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>112</td>
<td>121</td>
<td>Alcoholic beverages</td>
</tr>
<tr>
<td>121</td>
<td>122</td>
<td>Tobacco, un-manufactured, tobacco refuse</td>
</tr>
<tr>
<td></td>
<td>122</td>
<td>Tobacco, manufactured (whether or not containing tobacco substitutes)</td>
</tr>
<tr>
<td>525</td>
<td></td>
<td>Radioactive and associated materials</td>
</tr>
<tr>
<td>667</td>
<td></td>
<td>Pearls, precious and semiprecious stones, unworked or worked</td>
</tr>
<tr>
<td>718</td>
<td>718.7</td>
<td>Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors</td>
</tr>
<tr>
<td>728</td>
<td>728.43</td>
<td>Tobacco processing machinery</td>
</tr>
<tr>
<td>897</td>
<td>897.3</td>
<td>Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)</td>
</tr>
<tr>
<td>971</td>
<td></td>
<td>Gold, non-monetary (excluding gold ores and concentrates)</td>
</tr>
</tbody>
</table>

(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
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.

6. “Foreign Currency Deposit Account” means the account referred to in Part D. I (a) of Section II of Schedule I to this Agreement.

7. “Genocide Survivors Support Fund” or “FARG” means a fund of the Recipient established in 1998 to provide assistance to persons affected by the 1994 genocide.

8. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010 with the modifications set forth in Section II of this Appendix.

9. “Local Currency Deposit Account” means the account referred to in Part D. I (b) of Section II of Schedule I to this Agreement.

10. “Ministry of Local Government” means the Recipient’s ministry at the time responsible for social protection matters.

11. “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 January 16, 2014 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.

12. “Rwanda Demobilization and Reintegration Program” or “RDRP” means a program of the Recipient formulated in 1997 and aimed at demobilizing ex combatants into their communities and supporting their economic and social reintegration.


14. “Single Withdrawal Tranche” means the amount of the Financing allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule I to this Agreement.

15. “Ubudehe” means a community based process for identifying and categorizing households into poverty clusters.

16. “Vision 2020 Umurenge Program” or “VUP” means an integrated local development program of the Recipient inaugurated in 2007 which aims at accelerating poverty reduction, rural growth and social protection by supporting the vulnerable and poor in society through provision of direct cash transfers, engagement in labor intensive public works and provision of microcredit.
Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.

2. Sections 2.04 (Designated Accounts) and 2.05 (Eligible Expenditures) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.

3. Sections 4.01 (Project Execution Generally), and 4.09 (Financial Management; Financial Statements; Audits) are deleted in their entirety, and the remaining Sections in Article IV are renumbered accordingly.

4. Paragraph (a) of Section 4.05 (renumbered as such pursuant to paragraph 3 above and relating to Use of Goods, Works and Services) is deleted in its entirety.

5. Paragraph (c) of Section 4.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

   “Section 4.06. Plans; Documents; Records

   (c) The Recipient shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Financing until two years after the Closing Date. The Recipient shall enable the Association’s representatives to examine such records.”

6. Section 4.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

   “Section 4.07. Program Monitoring and Evaluation

   (c) The Recipient shall prepare, or cause to be prepared, and furnish to the Association not later than six months after the Closing Date, a report of such scope and in such detail as the Association shall reasonably request, on the execution of the Program, the performance by the Recipient and the Association of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Financing.”

7. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

   (a) The definition of the term “Eligible Expenditure” is modified to read as follows:

       “‘Eligible Expenditure’ means any use to which the Financing is put in support of the Program, other than to finance expenditures excluded pursuant to the Financing Agreement.”

   (b) The term “Financial Statements” and its definition as set forth in the Appendix are deleted in their entirety.
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”.