Financing Agreement

(Regional Rusumo Falls Hydroelectric Project)

between

REPUBLIC OF RWANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 11, 2013
FINANCING AGREEMENT

AGREEMENT dated October 11, 2013, entered into between REPUBLIC OF RWANDA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

WHEREAS (A) the Recipient and the Republic of Burundi and the United Republic of Tanzania (the "Participating Countries") have, pursuant to an agreement dated February 16, 2012, agreed to jointly form the Project Implementing Entity (the Tripartite Agreement), to enable the Recipient and the other Participating Countries to develop, finance, construct, own and operate, through the Project Implementing Entity, an 80 MW run-of-the-river hydroelectric power generation facility, located at Rusumo on the River Kagera on the common border of the Recipient and the United Republic of Tanzania (the "Project", as described in Schedule 1 to this Agreement);

(B) the Recipient, having satisfied itself as to the feasibility and priority of the Project, has requested the Association to assist in the financing of Part A of the Project; and

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

NOW THEREFORE the Recipient and the Association 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.
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 to assist in financing Part A of the Project:

(a) an amount equivalent to thirty-seven million eight hundred thousand Special Drawing Rights (SDR 37,800,000) ("Grant"); and

(b) an amount equivalent to thirty-seven million eight hundred thousand Special Drawing Rights (SDR 37,800,000) ("Credit").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 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%) per annum.

2.05. The Payment Dates are May 15 and November 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 3 to this Agreement.

2.07. The Payment Currency is Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall cause Part A of the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that Part A of the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.
ARTICLE IV — REMEDIES OF THE ASSOCIATION

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

(a) The Articles of Association or the status of the Project Implementing Entity's incorporation pursuant to the Companies Act of the Recipient or the Shareholders Agreement has been substantially amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations arising under or entered into pursuant to the Project Agreement, or to achieve the objective of the Project.

(b) The Association shall have suspended in whole or in part the right of any Participating Country to make withdrawals under the corresponding Other Financing Agreement due to the failure of said Participating Country to perform any of its obligations under said Other Financing Agreement.

(c) As a result of events which have occurred after the date of the Financing Agreement, an extraordinary situation shall have arisen, which shall make it improbable for the Project Implementing Entity to perform its obligations under the Project Agreement.

(d) The Project Implementation Support Agreement has been amended, suspended, terminated or waived so as to affect materially and adversely the ability of NELSAP-CU to perform any of its obligations under said Project Implementation Support Agreement.

(e) Without prejudice to the provisions of Section 6.02(k) (iii) of the General Conditions, the ownership interests in the Project Implementing entity held directly or indirectly by the Recipient shall have been transferred or disposed of in any manner.

(f) Any of the Co-financing Agreements shall have failed to become effective within eighteen (18) months of the Effective Date, or such later date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Association that adequate funds for the Project are available to the Recipient from other sources on terms and conditions consistent with the obligations of the Recipient under this Agreement.

4.02. The Additional Event of Acceleration consists of the following, namely, that any event specified in paragraphs (a), (b), (c), (d) and (e) of Section 4.01 of this
Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) The Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.

(b) The Key Agreements have been executed on behalf of the parties thereto.

(c) All conditions precedent to the effectiveness of the Other Financing Agreements, other than those related to the effectiveness of this Agreement have been fulfilled.

(d) The Project Implementing Entity has prepared and adopted, or caused to be prepared and adopted, a Project Implementation Manual, in form and substance satisfactory to the Association.

(e) The Project Implementation Support Agreement, in form and substance satisfactory to the Association, has been executed on behalf of the Project Implementing Entity and the Nile Basin Initiative (acting through its Nile Equatorial Subsidiary Action Program).

(f) The Joint Project Steering Committee has been established with a mandate, terms of reference and resources satisfactory to the Association.

(g) The key staff have been recruited to the NELSAP-CU, including a project manager, an environmental and a social specialist(s), a procurement specialist, a financial management specialist, and a communications specialist, all in accordance with Section I.C of Schedule 2 to the Project Agreement.

5.02. The Additional Legal Matters consist of the following:

(a) The Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.
(b) The Key Agreements have been duly authorized or ratified by the parties thereto and each Key Agreement is legally binding upon the parties thereto, in accordance with its respective terms.

(c) The Project Implementation Support Agreement has been duly authorized or ratified by the Project Implementing Entity and the Nile Basin Initiative (acting through its Nile Equatorial Subsidiary Action Program) and is legally binding upon the Project Implementing Entity and Nile Basin Initiative in accordance with its terms.

5.03. The Effectiveness Deadline is the date one hundred and twenty (120) days after the date of this Agreement.

5.04. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is the 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:  
   Telex:  
   Facsimile:  
   INDEVAS 248423 (MCI) 1-202-477-6391  
   Washington, D.C.
AGREED at Washington D.C., United States of America, as of the day and year first above written.

REPUBLIC OF RWANDA

By

[Signature]
Authorized Representative

Name: CLAUVER GAZETE
Title: MINISTER OF FINANCE & ECONOMIC PLANNING

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]
Authorized Representative

Name: GLEN A. BRUCE
Title: DIRECTOR, STRATEGY & OPERATIONS
SCHEDULE 1

Project Description

The objective of the Project is to increase the supply of electricity to the national grids of the Recipient, the Republic of Burundi and the United Republic of Tanzania.

The Project consists of the following parts:

Part A: Construction of the Power Plant Complex

1. Carrying out the excavation, earthworks, tunneling and concrete works for the Power Plant Complex structures, including a barrage and gated spillway, intake works and diversion or power canal, surface powerhouse, access roads and construction facilities and infrastructure.

2. Carrying out the associated mechanical and electrical works, including supply, installation, testing and commissioning of: (a) hydro-mechanical equipment; (b) turbine-generator sets and auxiliaries; (c) construction of a generation substation; and (d) power complex control and communications equipment.

3. Carrying out: (a) the Environmental and Social Management Plan (ESMP); (b) the Resettlement Action Plan (RAP); and (c) management and supervision of implementation of the ESMP and RAP.

4. Provision of Owner’s Engineer and support to Project supervision, including: (a) overall Project management and supervision of procurement, design, construction, interface management and preparation for operation and maintenance of the power plant complex; (b) coordination of the implementation of the ESMP and RAP; and (c) strengthening the capacity of the NELSAP-CU for Project management, coordination, supervision, monitoring and evaluation, including recruitment of a Project manager, senior engineers (civil, electrical and mechanical), and a quantity surveyor, a social and environmental safeguards team, a procurement specialist, a financial management specialist and other key technical staff.

Part B: Construction of Transmission Lines

Carrying out the construction of three transmission lines to facilitate supply of electricity to the Recipient’s national power grid and regional electricity trading, including associated supply and installation of: (a) a new 161 kilometers (km) transmission line from the Power Plant Complex to Gitega substation in the Republic of Burundi; (b) a new 98 km transmission line from the Power Plant Complex to Nyakakanazi substation within the Republic of Tanzania; and (c) a new 119 km transmission line from the Power Plant Complex to Birembo substation in the territory of the Recipient.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements for Part A of the Project

1. Project Implementing Entity, NELSAP-CU and Owner’s Engineer

(a) The Recipient shall ensure that:

(i) Part A of the Project is carried out by the Project Implementing Entity through NELSAP-CU in accordance with the provisions of this Agreement and the Project Agreement, the Key Agreements, the Subsidiary Agreement, the Project Implementation Support Agreement, and in accordance with the guidelines, procedures, recommendations, and other specifications set forth in the Project Implementation Manual, Anticorruption Guidelines, the Procurement Plan, the ESMP, the ESIA, the RAP and the LADP; and

(ii) the Project Implementing Entity shall not assign, amend, abrogate or waive the Key Agreements, the Project Implementation Support Agreement or any of their respective provisions, except with the Association’s prior written consent.

(b) Without limitation to the provisions of Section I A.1(a) immediately above, NELSAP-CU shall be responsible for day-to-day administration of overall planning, coordination, the technical, fiduciary (i.e., procurement and financial management), environmental and social safeguards compliance, coordination, monitoring, evaluation, reporting and communication of the activities under the Project, all in accordance with the provisions of this Agreement and the Project Implementation Manual.

(c) Without limitation to the provisions of Section I A.1(a) above, the Project Implementing Entity shall, through NELSAP-CU, recruit and maintain at all times during the implementation of the Project, specialized services of an owner’s engineer (Owner’s Engineer) to ensure effective support to NELSAP-CU for: (i) overall Project management and supervision of the procurement, design, construction and preparation of operation and maintenance plan of the Power Plant Complex and dam safety plans; and (ii) coordination of implementation of the ESMP, the ESIA, the RAP and the LADP.
2. **Joint Project Steering Committee**

(a) Without limitation upon the provisions of Section 1.A.1 of this Schedule, the Recipient shall, at all times during the implementation of Part A of the Project, maintain high level representation and active participation in the Joint Steering Committee, and shall:

(i) appoint to the Joint Project Steering Committee, and maintain, a representative at the level of a commissioner responsible for energy or other senior official with sufficient decision making authority from its designated Ministry; and

(ii) cause Energy and Water Sanitation Authority (EWSA) to appoint to said Joint Steering Committee, and maintain, a representative at the level of a head of department responsible for power generation.

(b) Without limitation upon the provisions of Section 1.A.2 (a) immediately above, the Joint Project Steering Committee shall be responsible for, inter alia: (i) reviewing progress made towards achieving the Project’s objectives; (ii) facilitating governmental and inter-governmental actions that may be required under the Project; and (iii) providing general oversight and policy guidance in the implementation of the Project.

3. **Water Resources Technical Sub-committee**

(a) To ensure coordinated management of the water use during the post-construction and operation of the Power Plant Complex, the Recipient shall appoint to the Water Resources Technical Sub-committee and, thereafter maintain, a representative at the level of a permanent secretary or other senior official with sufficient decision making authority from its designated Ministry responsible for water resources management.

(b) Without limitation upon the provisions of Section 1.A.3 (a) immediately above, the Water Resources Technical Sub-committee shall be responsible for, inter alia: (i) ensuring compliance with the water use rights and related aspects; (ii) providing oversight in maintaining water levels to ensure that the natural life, water quality and quantity and the Kagera River Basin-wide surroundings, are not adversely affected by the Project; and (iii) facilitating governmental and inter-governmental actions that may be required, including consistent periodic and accurate reporting to the Kagera River Basin Management Program of the water use, including the water quality and quantity.
B. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity under a subsidiary agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association, which shall include those set forth in Schedule 4 to this Agreement ("Subsidiary Agreement").

2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

C. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Project Implementation Manual

1. The Recipient shall cause the Project Implementing Entity to carry out the Project, through NELSAP-CU, in accordance with the provisions of a manual satisfactory to the Association (the Project Implementation Manual), which shall provide, inter alia, for the following: (a) capacity building activities for sustained achievement of the Project’s objectives; (b) disbursement, financial management and procurement procedures; (c) institutional administration, coordination and day-to-day execution of activities of the Project; (d) monitoring, evaluation, reporting, information, education and communication; (e) Project impact and implementation indicators, including the procedures for monitoring and evaluation of the Project activities; (f) the pertinent environmental and social safeguard documents; (g) the format of: (I) the interim unaudited interim financial reports referred to in Section II.B.2 of Schedule 2 to this Agreement; and (II) the Financial Statements; and (h) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project.

2. The Recipient shall not amend, abrogate, waive or fail to enforce any provision of the Project Implementation Manual without the prior written consent of the Association; provided, however, that in case of any conflict between the arrangements and procedures set out in the Project Implementation Manual and the provisions of this Agreement, the provisions of this Agreement shall prevail.
E. Environmental and Social Safeguards

1. Implementation of the ESMP, the ESIA, the RAP and the LADP

(a) The Recipient shall cause the Project Implementing Entity, through NELSAP-CU, to implement Part A of the Project in accordance with the Environmental and Social Management Plan (ESMP), the Environmental and Social Impact Assessment (ESIA), the Resettlement Action Plan (RAP) and the Local Area Development Plan (LADP).

(b) Without limitation to paragraph E.1 immediately above the Recipient shall cause the Project Implementing Entity, through NELSAP-CU to establish and maintain throughout the implementation of the Project, a specialized unit (Environmental and Social Management Unit) to work with the Owner’s Engineers to ensure effective and adequate supervision and implementation of the ESMP, the ESIA, the RAP and the LADP.

(c) The Recipient shall cause the Project Implementing Entity to ensure that the operation and management contractor shall operate the Power Plant Complex in accordance with the Operation and Management Contract, and the provisions of the ESMP and the ESIA.

2. Specific Covenants for Implementation of the RAP under Part A.3 (b) of the Project

Without limitation to the provisions of Section 1.E.1 immediately above, the Recipient shall cause the Project Implementing Entity, through NELSAP-CU, to implement the RAP in the Recipient’s territory, in a manner acceptable to the Association, and in accordance with the terms of said RAP, and those of this Agreement. Specifically, the Recipient shall:

(a) provide required support and coordinate with the Project Implementing Entity, through NELSAP-CU, the implementation of the RAP for involuntary resettlement of Affected Persons including, in Rusumo East, Rusumo West, Nyaakwisi, Nsungeruzi, Nyakabungo and Ruhuha villages areas within the territory of the Recipient;

(b) ensure appropriate compensation, and other compensatory measures as may be necessary, resettlement and rehabilitation of such Affected Persons in accordance with the RAP;

(c) not later than one year after completion of the implementation of the RAP, cause the Project Implementing Entity, through NELSAP-CU, to conduct and submit an audit by an independent qualified resettlement expert to monitor the outcomes of the RAP, including a survey and consultation with Affected Persons, and which audit shall also
recommend necessary action to address any shortcomings in the implementation of said RAP;

(d) not later than six (6) months after the Effective Date cause the Project Implementing Entity, through NELSAP-CU: (i) open and maintain a Project account (Resettlement Project Account) in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment; (ii) make payments for the implementation of the RAP, out of the Resettlement Project Account in accordance with the format and modality agreed upon with the Association, and in accordance with the guidelines established in the RAP; and (iii) ensure that funds deposited into the Resettlement Project Account shall be exclusively used to finance payments made, or to be made to the Affected Persons, for the implementation of the RAP; and

(e) ensure effective and adequate oversight of the day-to-day implementation of the RAP, adequate staffing and resources to ensure effective implementation of the RAP, and effective coordination at the regional and national levels for effective monitoring and supervision of the RAP.

3. The Recipient shall cause the Project Implementing Entity, through NELSAP-CU, to include in the Project Reports referred to in Section II.A of this Schedule adequate information on the implementation of the RAP, giving details of:

(a) measures taken in furtherance of the RAP;

(b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the RAP; and

(c) remedial measures taken or required to be taken to address such conditions and to ensure the continued efficient and effective implementation of the RAP.

4. **Specific Covenants for Implementation of AfDB ESIA and the AfDB RAP under Part B of the Project**

Without limitation to the provisions of Section I.E.1 above, the Recipient shall implement, or cause EWSA to implement, Part B of the Project in accordance with the AfDB ESIA and the AfDB RAP, and in a manner acceptable to the Association.
Section II. **Project Monitoring, Reporting and Evaluation**

A. **Project Reports**

1. The Recipient shall cause the Project Implementing Entity, through NELSAP-CU, to monitor and evaluate the progress of the Project and prepare Project Reports, in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators acceptable to the Association. Each Project Report shall cover the period of six calendar months, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

B. **Financial Management, Financial Reports and Audits**

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall cause the Project Implementing Entity, through NELSAP-CU, to prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal was made under the Preparation Advance for the Project. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. **Procurement**

1. The Recipient shall ensure that all goods, works and non-consulting services required for Part A of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of Section I.B of Schedule 2 to the Project Agreement.

2. The Recipient shall ensure that all consultants' services required for Part A of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of Section I.C of Schedule 2 to the Project Agreement.
Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall 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 Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Credit and of the Grant 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 Credit Allocated (expressed in SDR)</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services (including supply and installation), consultants’ services for Parts A.1, A.3(a), A.3(c) and A.4 of the Project, and Operating Costs</td>
<td>18,900,000</td>
<td>22,400,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works, non-consulting services (including supply and installation), and consultants’ services for Part A.2 of the Project</td>
<td>15,400,000</td>
<td>15,400,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) compensation payments pursuant to the RAP(s) under Part A.3(b) of the Project</td>
<td>1,400,000</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Refund of Preparation Advance</td>
<td>2,100,000</td>
<td>0</td>
<td>Amount payable pursuant to Section 2.07 of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>37,800,000</td>
<td>37,800,000</td>
<td></td>
</tr>
</tbody>
</table>

For the purpose of the table set forth immediately above, the term “Operating Costs” means the incremental expenses incurred on account of implementation of Part A of the Project, and approved by the Association, including office equipment and supplies, vehicle operation and maintenance, communication and insurance costs, office administration costs, utilities, travel, *per diem* of Project staff, and salaries of non-technical locally contracted employees (including drivers, secretaries and other non-technical staff), excluding the salaries of the Recipient’s civil service.
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
   (a) for payments made prior to the date of this Agreement; or
   (b) under Category (2) unless the Co-financing Agreement(s) for the AfDB Co-financing of Part B of the Project have been executed and delivered on behalf of the Recipient and the Co-financier; or
   (c) under Category (3) in respect of compensation payments pursuant to any RAP(s) under Part A.3(b) of the Project unless the Recipient, through the Project Implementing Entity, has met the requirements referred to in Section 1.E.2(d) and (e) of this Schedule, in a manner acceptable to the Association.

2. The Closing Date is December 31, 2020.
**SCHEDULE 3**

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 May 15 and November 15:</td>
<td></td>
</tr>
<tr>
<td>commencing November 15, 2023 to and including May 15, 2033</td>
<td>1%</td>
</tr>
<tr>
<td>commencing November 15, 2033 to and including May 15, 2053</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.
SCHEDULE 4

Terms and Conditions of the Subsidiary Agreement

The Subsidiary Agreement shall include the following provisions:

A. Obligations of the Project Implementing Entity

1. the requirement that the Project Implementing Entity to carry out the Project with due diligence and efficiency, in conformity with appropriate administrative, financial, technical, environmental and social standards acceptable to the Association, and provide, or cause to be provided, promptly as needed, the facilities, services and other resources required for the purpose;

2. the proceeds of the Financing for the Project to be on-lent to the Project Implementing Entity on the following terms: the principal amount of the Grant and Credit made available under the Subsidiary Agreement ("Subsidiary Credit") shall be: (a) denominated and repayable in United States of America Dollars; (b) charged interest on the principal amount withdrawn and outstanding from time to time at the rate of two percent (2%) per annum; and (c) repayable over a period not exceeding twenty-five (25) years from the date of the Subsidiary Agreement, inclusive of a grace period not exceeding five (5) years;

3. the obligation of the Project Implementing Entity to service the repayment of the Subsidiary Credit in accordance with the repayment schedule and under terms and conditions specifically set forth under a table to be established in the Subsidiary Agreement, including the terms set forth in paragraph 2 immediately above, provided that the repayment obligation shall be suspended if EWSA fails to make any payment due under the Power Purchase Agreement, and the Project Implementing Entity having drawn on the escrow account established for that purpose, the Recipient and EWSA fail to replenish said escrow account, and shall be reinstated only at such time as EWSA (or the Recipient on behalf of EWSA) shall have satisfied in full all payments under the Power Purchase Agreement and replenished the escrow account provided as payment security under the Power Purchase Agreement;

4. the obligation of the Project Implementing Entity to: (a) comply, and to ensure compliance with the procedures for procurement of works, goods, non-consulting services and consultants’ services set forth in Section III of Schedule 2 and Schedule 2 to the Project Agreement; (b) to this Agreement; and (c) ensure that all such works, goods, non-consulting services and consultants’ services, are used solely for the purpose of the Project;

5. the requirement that the Project Implementing Entity fully collaborate with the Recipient in order to permit timely compliance with the requirements set forth in Section II.A and II.B of Schedule 2 to this Agreement, including that the Project Implementing Entity: (a) maintain policies and procedures adequate to enable it
to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Project and the achievement of the Project’s objectives; (b) (i) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect its operations and financial condition, including the operations, resources and expenditures related to the Project; and (ii) have such financial statements audited annually by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association; (c) enable the Recipient and the Association to inspect the Project, its operation and any relevant records and documents; and (d) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing;

6. the obligation of Project Implementing Entity to exchange views with the Recipient and the Association with regard to the progress of the Project, and the performance of its obligations under the Subsidiary Agreement;

7. the obligation of the Project Implementing Entity to comply with the provisions of the Anti-Corruption Guidelines;

8. the obligation of the Project Implementing Entity to implement the Project in accordance with the provisions of this Agreement, the Key Agreements, the Project Implementation Support Agreement, the Subsidiary Agreement and the Project Implementation Manual;

9. the obligation of the Project Implementing Entity not to assign, amend, terminate, abrogate, repeal, waive or fail to enforce any Key Agreement, the Operations and Maintenance Agreement, the Project Support Implementation Agreement, or the Subsidiary Agreement or any of their provisions, except with the Recipient and the Association’s prior consent; and

10. the obligation of the Project Implementing Entity to take or permit to be taken all actions to enable the Recipient to comply with its obligations under this Agreement and/or the Subsidiary Agreement, as the case may be.

B. The obligations of the Recipient:

1. to promptly disburse to the Project Implementing Entity the proceeds of the Financing to finance the carrying out the Project with due diligence and efficiency;

2. to support the implementation of the Project and take all necessary measures to cooperate and coordinate, throughout Project implementation, with NELSAP-CU in the implementation of the Project, and specifically in the implementation and
management of the RAP(s) under Part A.3(b) of the Project, and to ensure appropriate monitoring and supervision of said RAP(s);

3. to take or permit to be taken all action to enable the Project Implementing Entity to comply with its obligations under the Project Agreement and/or the Subsidiary Agreement, as the case may be;

4. to ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines;

5. to provide adequate funding as shall be required for the implementation, monitoring and final evaluation of any Resettlement Action Plan; and

6. not to assign, amend, terminate, abrogate, repeal, waive or fail to enforce any Key Agreement, or the Subsidiary Agreement or any of their provisions, except with the prior written consent of the Recipient and the Association.

C. The right of the Recipient to take remedial actions against the Project Implementing Entity in case the latter shall have failed to comply with any of its obligations under the Subsidiary Agreement.
APPENDIX

Definitions

1. "AfDB ESIA" means the Recipient's Environmental and Social Impact Assessment, acceptable to the Association, for African Development Bank (AfDB)-financed associated activities under Part B of the Project, dated February 2013, and disclosed in country on February 28, 2013, and in the Association's InfoShop on April 3, 2013, describing the set of avoidance, mitigation, enhancement, monitoring, and institutional measures to be taken during construction of the Power Plant Complex to avoid, mitigate, offset, or reduce adverse environmental and social impacts to acceptable levels, or to enhance positive impacts.

2. AfDB RAP" means the Recipient's resettlement action plan, acceptable to the Association, for AfDB-financed associated activities under Part B of the Project, dated June 2013, and disclosed in country and in the Association's InfoShop on July 8, 2013, for the resettlement of Affected Persons.

3. "Affected Persons" means persons who, on account of the execution of the Project had or would have their: (i) standard of living adversely affected; or (ii) right, title, interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected.


5. "Articles of Association" means the Project Implementing Entity’s Articles of Association adopted by the owner of the company (i.e., the Recipient, the Republic of Burundi and the United Republic of Tanzania) on May 27, 2013, and registered under the name of Rusumo Power Company Limited, company No. 102957444 with the Registrar of Companies of the Recipient on April 11, 2013.

6. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

7. "Co-financier" means the AfDB, and/or any other financier(s) that has extended or has expressed the intention to extend parallel financing to finance Part B of the Project.

8. "Co-financing" means, for purposes of paragraph 11 of the Appendix to the General Conditions, an amount of United States of America Dollars eighty eight
million (US$88 million) equivalent or more, to be provided by the AfDB to the Recipient, and an amount of United States of America Dollars forty million (US$40 million) equivalent or more, to be provided by other financier(s) to the Recipient to assist in financing Part B of the Project.

9. “Co-financing Agreement” means each and any agreement to be entered into between the Recipient and any Co-financer providing for the Co-financing.


12. “Environmental and Social Management Plan” or “ESMP” the Environmental and Social Management Plan for Part A of the Project dated February 2013, and disclosed in the country and in the Association’s InfoShop on February 28, 2013, consisting of forty-four (44) specific environmental and social action plans organized respectively, in pre-construction, construction and operations phases, giving details of the magnitude of the environmental impacts, including the budget and cost estimates, and sources of funding, along with the institutional and procedural measures needed to implement such actions, measures and policies.

13. “Environmental and Social Impact Assessment” and “ESIA” means the report for Part A (including respective ESIs for dam and power plant) of the Project dated February 2013, and disclosed in country and in the Association’s InfoShop on February 28, 2013, describing the set of avoidance, mitigation, enhancement, monitoring, and institutional measures to be taken during construction of the Power Plant Complex to avoid, mitigate, offset, or reduce adverse environmental and social impacts to acceptable levels, or to enhance positive impacts.


15. “Implementation Agreement” means the agreement relating to the development, financing, construction, ownership and operations of the Power Plant Complex, to be concluded among the Government of the Recipient, the Republic of Burundi, the Government of the United Republic of Tanzania and the Project Implementing Entity, and constitutes one of the Key Agreement referred to in Section 5.01(b) to this Agreement.

16. “Joint Project Steering Committee” means the Project Steering Committee established, and referred to in Section 5.01(f) of this Agreement and Section I.A.2 of Schedule 2 to this Agreement.
17. "Kagera River Basin" means the body of water that forms the western border between Rwanda and Tanzania, and forms the upper part of the Lake Victoria basin.

18. "Key Agreements" means the Shareholders’ Agreement, the Implementation Agreement and the Power Purchase Agreement.

19. "Local Area Development Plan" or "LADP" means a plan, which forms Annex 2 of the Resettlement Action Plan, dated February 2013, and disclosed in country and in the Association’s InfoShop on February 27, 2013, and March 12, 2013, designed to ensure broader social and economic uplift of the Project area, to promote benefits sharing through community-based integrated watershed development, improve the diversification of community livelihood and strengthen the local communities’ organizational capacities.


21. "Nile Basin Initiative" means a regional initiative established pursuant to the NBI Instruments signed or acceded to by the members of the NBI, namely, Republic of Burundi, Democratic Republic of Congo, Arab Republic of Egypt, Federal Democratic Republic of Ethiopia, Republic of Kenya, Republic of Rwanda, Republic of Sudan, United Republic of Tanzania and Republic of Uganda.

22. "Operations and Maintenance Agreement" means the Agreement referred to in Section I.A.4 of Schedule 1 to the Project Agreement, to be concluded between the Project Implementing Entity and a qualified private operator for the operation and maintenance of the Power Plant Complex.

23. "Owner’s Engineer" means a consulting firm to be recruited in accordance with the provisions of Section I.C of Schedule 2 to the Project Agreement, for the purpose of providing specific specialized services to the Project Implementation Entity during the construction of the Power Plant Complex.

24. "Other Financing Agreements" means the respective agreements entered into between each of the Participating Countries (other than the Recipient) and the Association for the financing of the Project.

25. "Power Purchase Agreements" means the agreement relating to the sale and purchase of power, to be concluded between EWSA and the Project Implementing Entity, and constitutes one of the Key Agreements referred to in Section 5.01(b) to this Agreement.
“Power Utility Companies” means Tanzania Electric Supply Company Limited (TANESCO), Energy and Water Sanitation Authority (EWSA), and Régie de Production et de Distribution d’Eau et d’Electricité (REGIDESO).

“Power Plant Complex” means the proposed 80 MW run-of-the-river regional Rusumo Falls Hydroelectric regional Rusumo hydropower generation facility located at Rusumo on River Kagera, on the common border of the Recipient and the United Republic of Tanzania, to be constructed and commissioned under Part A of the Project.

“Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on July 18, 2012, and on behalf of the Recipient on August 6, 2012.


“Procurement Plan” means the Recipient’s procurement plan for the Project, dated June 25, 2013, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

“Project Implementing Entity” means Rusumo Power Company Limited, the special purpose vehicle for the Project, a limited liability company established and operating pursuant to Law No. 07/2009 relating to Companies of the laws of the Recipient.

“Project Implementation Manual” means the manual, satisfactory to the Association, and referred to in Section 5.01 (e) of this Agreement, and Section I.D.1 of Schedule 2 to this Agreement, as the same may be amended from time to time with agreement of the Association.

“Project Implementation Support Agreement” means the agreement referred to in Section 5.01(c) of this Agreement, to be entered into between the Project Implementing Entity and the Nile Basin Initiative (acting through its Nile Equatorial Subsidiary Action Program) setting forth the role, responsibilities and obligations of NELSAP-CU in the implementation of the Project.

“Régie de Production et de Distribution d’Eau et d’Electricité” or “REGIDESO” means Burundi power and water utility company established and operating pursuant to the Legislative Ordinance No. B/113 of June 22, 1962, of the laws of the Republic of Burundi.

“Resettlement Action Plan” or “RAP” means the resettlement plans dated February 2013, and disclosed in country and in the Association’s InfoShop on
February 27, 2013, and March 12, 2013, for the resettlement of Affected Persons in the areas of Rusumo (Nyahiziba village (Kabuye and Kyenda sub-villages) in the territory of the United Republic of Tanzania, and Rusumo East, Rusumo West, Nyaakwisi, Nsungeruzi, Nyakabungo and Ruhuha villages in the territory of the Recipient.

36. “Shareholders’ Agreement” means the agreement relating to the financing and ownership of the Project Implementing Entity, to be concluded between the Government of the Recipient, the Government of the Republic of Burundi, the Government of the United Republic of Tanzania and the Project Implementing Entity, which constitutes one of the Key Agreement referred to in Section 5.01(b) to this Agreement.

37. “Subsidiary Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to the Project Implementing Entity.

38. “Tanzania Electric Supply Company Limited” or “TANESCO” means Tanzania Electric Supply Company Limited established and operating pursuant to the Companies Act, CAP 212 (R.E 2002) of the laws of the United Republic of Tanzania, and includes any successors thereto.

39. “Tripartite Agreement” means the agreement between the Republic of Burundi, the Republic of Rwanda and the United Republic of Tanzania, dated February 16, 2012, relating to joint commitment to develop the Project and form the Project Implementing Entity.

40. “Water Resources Technical Sub-committee” means the technical sub-committee referred to in Section I.A.3 of Schedule 2 to this Agreement.