Strategic Climate Fund
Scaling-Up Renewable Energy Program

Project Agreement

(Rwanda Renewable Energy Fund Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION
(acting as an implementing entity of the Scaling-up Renewable Energy Program under the Strategic Climate Fund)

and

DEVELOPMENT BANK OF RWANDA

Dated July 7, 2017
PROJECT AGREEMENT

AGREEMENT dated ________, 2017, entered into between the INTERNATIONAL DEVELOPMENT ASSOCIATION, acting as an implementing entity of the Scaling-up Renewable Energy Program under the Strategic Climate Fund (the “World Bank”) and the DEVELOPMENT BANK OF RWANDA (“Project Implementing Entity” or (“PIE”)) (“Project Agreement”) in connection with the Strategic Climate Fund – Scaling-Up Renewable Energy Program Loan Agreement (“SCR-SREP Loan Agreement”) and the Strategic Climate Fund – Scaling-Up Renewable Energy Program Grant Agreement (“SCR-SREP Grant Agreement”), each of the same date between the Republic of Rwanda (the “Borrower” and the “Recipient”, respectively) and the World Bank. The World Bank and the Project Implementing Entity hereby agree as follows:

ARTICLE I — STANDARD CONDITIONS; DEFINITIONS

1.01. The Standard Conditions (as defined in the Appendix to the SCR-SREP Loan 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 SCR-SREP Loan Agreement or the Standard Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Section 2.01 of the Standard Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for its respective part of the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the World Bank and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out its Respective Part of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — REPRESENTATIVE; ADDRESSES

3.01. The Project Implementing Entity’s Representative is its chief executive officer.
3.02. The World Bank’s Address is:

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

Cable: INDEVAS
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391

3.03. The Project Implementing Entity’s Address is:

Development Bank of Rwanda
KN 3 Avenue
P.O. Box 1341
Kigali,
Republic of Rwanda
AGREED at Kigali, Rwanda, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: 

[Signature]

Authorized Representative

Name: YASSER EL-GAMMAL

Title: Country Manager

DEVELOPMENT BANK OF RWANDA

By: 

[Signature]

Authorized Representative

Name: Mr. Alex Danyirwa

Title: CEO

Development Bank of Rwanda Ltd
P.O. Box 1341 Kigali-Rwanda
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

Project Manager

1. The Project Implementing Entity shall appoint, not later than October 1, 2017, and thereafter maintain throughout the implementation of the Project, a Project Manager with qualifications, experience and terms of reference satisfactory to the World Bank with the responsibility for overall management and coordination of the implementation of the Project.

Project Implementation Unit

2. The Project Implementing Entity shall establish, not later than October 1, 2017, and thereafter maintain throughout the implementation of the Project, a Project Implementation Unit (PIU) with adequate staffing and resources, and under terms of reference satisfactory to the World Bank, which shall include, inter alia, responsibilities for the day-to-day operations of the Project, including: (a) maintaining relationships with the Borrower and the World Bank; (b) assisting in re-appraisal of eligibility of the SACCOs and Participating Banks and of Final Beneficiaries under Direct Loans; (c) coordinating implementation of all active Windows of the REF; (d) maintaining relationships with and coordination between the Final Beneficiaries of all activated Windows of the REF; (e) signing Subsidiary Lending Agreements with eligible SACCOs, Participating Banks and Final Beneficiaries under Direct Loans; (f) signing Direct Loan Agreements for larger Sub-loans with Participating Banks for back-to-back financing of eligible SMEs for eligible solar-system investment projects; (g) signing Direct Loan Agreements with eligible mini-grid developers for eligible mini-grid projects and solar companies for qualifying projects under activated windows for Direct Loan financing; (h) providing reports to the Borrower and the World Bank as necessary for the Project implementation reviews and taking a lead in the Project impact assessments; (i) ensuring integrity of procurement processes; (j) ensuring integrity of environmental screening; (k) ensuring compliance with the World Bank’s Anti-Corruption Guidelines; (l) providing oversight of disbursement planning and carrying out fiduciary responsibilities; (m) providing specialized technical support.
B. Implementation Arrangements

Project Operations Manual

1. The Project Implementing Entity shall: (a) (i) not later than the Effective Date, prepare and furnish to the World Bank an operations manual for the Project ("Operations Manual" or "OM") containing detailed guidelines and procedures for the implementation of the Project, including: administration and coordination; monitoring and evaluation; financial, procurement and accounting procedures; social and environmental safeguards; corruption and fraud mitigation measures; roles and responsibilities of various agencies in the implementation of Project, and such other arrangements and procedures as shall be required for the effective implementation of the Project; and (ii) thereafter adopt and carry out the Project in accordance with Operations Manual as shall have been approved by the World Bank; and (b) except as the World Bank shall otherwise agree in writing, not amend or waive, or permit to be amended or waived any provision of the Operations Manual.

2. In case of conflict between the provisions of the Operations Manual and this Agreement, those of this Agreement shall prevail.

C. Anti-Corruption

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

D. Eligibility Criteria of Participating Banks and SACCOs; Participating Banks and SACCOs On-lending Terms and Conditions

1. Solicitation of Expressions of Interest and Eligibility of Participating Banks and SACCOs

(a) The Project Implementing Entity shall solicit expressions of interest from financial institutions operating in the Borrower's territory, to participate in the credit facilities established under Part 1 of the Project, either as Participating Banks (the Participating Banks) or as participating savings and credit cooperatives (SACCOs), as appropriate, in accordance with the criteria and approval procedures set forth in the OM.

(b) No proposed Participating Bank or SACCO shall be eligible for, respectively, a Participating Bank Subsidiary Credit Line or a SACCO Subsidiary Credit Line unless the Project Implementing Entity shall have determined on the basis of an appraisal carried out in accordance with guidelines acceptable to the World Bank and elaborated in the OM, that the proposed Participating Bank or SACCO concerned: (i) is a financial
institution of the appropriate type duly established under and operating in accordance with the Borrower’s laws; (ii) has the legal, organizational, management, and technical capacity and financial resources necessary to appraise, approve, monitor and evaluate Sub-projects and to make and monitor Final Direct Loans under Part 1 of the Project; and (iii) is credit-worthy and operating in accordance with sound prudential and other fiduciary standards and practices.

2. The Project Implementing Entity shall make each Participating Bank Subsidiary Credit Line available to a Participating Bank under a Participating Bank Subsidiary Lending Agreement with said Participating Bank, and each SACCO Subsidiary Credit Line to a SACCO under a SACCO Subsidiary Lending Agreement with said SACCO, on terms and conditions satisfactory to the World Bank, including interest at a rate reflecting, as the base rate, the terms under the Subsidiary Lending Agreement, together with an appropriate on-lending margin which shall be no higher than 350 basis points, and in addition, the terms set forth in paragraph 3 of this Section I.D, all as further elaborated in the Operations Manual.

3. The Project Implementing Entity shall obtain rights adequate to protect its interests and those of the World Bank, including the right to:

(a) require the Participating Bank and the SACCO to undertake a time-bound institutional development program acceptable to the World Bank, designed to enhance its institutional capacity and in particular, its capacity to manage Subsidiary Credit Lines;

(b) suspend or terminate the right of the Participating Bank or the SACCO to use the proceeds, respectively, of the Participating Bank Subsidiary Credit Line and the SACCO Subsidiary Credit Line, or obtain a refund of all or any part of the amount of the same then withdrawn, upon the Participating Bank’s or the SACCO’s failure to perform any of its obligations, respectively, under the Participating Bank Subsidiary Lending Agreement or the SACCO Subsidiary Lending Agreement;

(c) require the Participating Bank and the SACCO to make Final Direct Loans and monitor and evaluate the projects financed under said Final Direct Loans, in accordance with the provisions of Section I.E of this Schedule 2, with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the World Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to borrowers of loan proceeds other than the Borrower, and the Safeguards Instruments; and to provide, promptly as needed, the resources required for the purposes;
(d) require the Participating Bank and the SACCO to maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the World Bank, the progress of the Final Sub-projects financed, and other activities undertaken, under their Participating Bank Subsidiary Lending Agreement and SACCO Subsidiary Lending Agreement in a manner which contributes to the achievement of the overall objective of the Project;

(e) require the Participating Bank and the SACCO to: (i) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect its operations and resources and expenditures related to the Project; and (ii) at the World Bank's or the Borrower's request, have such financial statements audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank, and promptly furnish the statements as so audited to the Borrower and the World Bank;

(f) require the Participating Bank and SACCO to enable the Borrower or the World Bank to inspect any Sub-project or other activity financed, respectively, under the Participating Bank Subsidiary Lending Agreement and the SACCO Participating Bank Subsidiary Lending Agreement, its operation and any relevant records and documents;

(g) require the Participating Bank and the SACCO to comply with prudential standards set by the National Bank of Rwanda and such additional standards as may be set forth or referred to in the OM;

(h) require the Participating Bank and the SACCO to permit the World Bank to make all financial statements audited pursuant to sub-paragraph (e) of this Section I.D.3 available to the public in accordance with policies as defined in the OM; and

(i) require the Participating Bank and the SACCO to prepare and furnish to the Borrower and the World Bank all such information as the Borrower or the World Bank shall reasonably request relating to the foregoing.

E. Final Direct Loans under Part 1 of the Project, Final Direct Loan Agreement Terms and Conditions

1.1 Eligibility

The PIE shall cause each Participating Bank and SACCO to ensure that Final Direct Loans are made exclusively for Sub-projects to Final Beneficiaries selected in accordance with eligibility criteria and approval procedures, acceptable to the
World Bank, and further elaborated in the OM, including, without limitation, the following:

(a) No proposed Sub-project shall be eligible for financing under a Final Direct Loan to a Final Beneficiary unless the Participating Bank or the SACCO, as the case may be, shall have determined on the basis of an appraisal carried out in accordance with guidelines acceptable to the World Bank and elaborated in the OM, that:

(i) the proposed Sub-project concerns the purchase of system(s) that:
(A) provide Tier 1 or above level of energy access and correspond to the relevant requirements as specified in the OM, or (in the case of mini-grids) is otherwise technically feasible and economically and financially viable; and (B) if Safeguards Instruments for the Sub-project is (or are) required, such Safeguards Instruments have been prepared and approved by the World Bank in accordance with the provisions of Section I.G of this Schedule, and all measures required to be taken in accordance with said Section prior to commencement of the activities covered by the Safeguards Instruments, have been taken; and

(ii) the proposed Final Beneficiary is: (A) a natural person; or (B) legal entity established and operating under the laws of the Borrower, with the organization, management, technical capacity and financial resources necessary to carry out the proposed Sub-project; and has prepared a satisfactory financing plan and budget, and a satisfactory implementation plan for the proposed Sub-project.

1.2 Final Direct Loan Agreements

The PIE shall ensure that each Final Direct Loan is made under a Final Direct Loan Agreement with the respective Final Beneficiary on terms and conditions approved by the World Bank, which shall include the following:

(a) The Participating Bank or the SACCO, as the case may be, shall obtain rights adequate to protect its interests and those of the World Bank and the PIE, including the right to:

(i) suspend or terminate the right of the Final Beneficiary to use the proceeds of the Final Direct Loan, or obtain a refund of all or any part of the amount of the Final Direct Loan then withdrawn, upon the Final Beneficiary's failure to perform any of its obligations under the Final Direct Loan Agreement; and
(ii) require each Final Beneficiary to: (A) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the World Bank, including in accordance with the provisions of: (1) the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower; and (2) the Safeguards Instruments, if any, required for the Sub-project; (B) provide, promptly as needed, the resources required for the purpose; and (C) enable the Borrower, the PIE, the World Bank, and the Participating Bank or SACCO, as the case may be, to inspect the Sub-project, its operation and any relevant records and documents.

F. Direct Loan Financing under Part I of the Project, Direct Loan Agreement Terms and Conditions

1.1 Eligibility

The PIE shall ensure that Direct Loans under activated windows for Direct Loan financing are made exclusively for projects to Final Beneficiaries selected in accordance with eligibility criteria and approval procedures, acceptable to the World Bank, and further elaborated in the OM, including, without limitation, the following:

(a) No proposed Sub-project shall be eligible for financing a Final Beneficiary under any activated window for Direct Loan financing, unless the PIE shall have determined on the basis of an appraisal carried out in accordance with guidelines acceptable to the World Bank and elaborated in the OM, that:

(i) the proposed project: (A) is technically feasible and economically and financially viable; and (B) if Safeguards Instruments for the project is (or are) required, such Safeguards Instruments have been prepared and approved by the World Bank in accordance with the provisions of Section 1.G of this Schedule 2 and all measures required to be taken in accordance with said Section prior to commencement of the activities covered by the Safeguards Instruments, have been taken; and

(ii) the proposed Final Beneficiary: (A) is a legal entity established and operating under the laws of the Borrower, with the organization, management, technical capacity and financial resources necessary to carry out the proposed project; and (B) has prepared a satisfactory financing plan and budget, and a satisfactory implementation plan for the proposed project.
1.2 Direct Financing Terms and Conditions

The PIE shall ensure that each Direct Loan is made under a Direct Loan Agreement with the respective Final Beneficiary on terms and conditions approved by the World Bank, which shall include the following:

(a) The PIE shall obtain rights adequate to protect its interests and those of the World Bank and the PIE, including the right to:

(i) suspend or terminate the right of the Final Beneficiary to use the proceeds of the Direct Loan, or obtain a refund of all or any part of the amount of the Direct Loan then withdrawn, upon the Final Beneficiary's failure to perform any of its obligations under the Direct Loan Agreement; and

(ii) require each Final Beneficiary to: (A) carry out its project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the World Bank, including in accordance with the provisions of: (1) the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the borrower; and (2) the Safeguards Instruments, if any, required for the project; (B) provide, promptly as needed, the resources required for the purpose; (C) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the World Bank, the progress of the project and the achievement of its objectives; (D) (1) maintain a financial management system and prepare financial statements, both in a manner adequate to reflect the operations, resources and expenditures related to the project; and (2) at the request of the World Bank or the Borrower or the PIE, as the case may be, have such financial statements audited by independent auditors acceptable to the World Bank, and promptly furnish the statements as so audited to the Borrower, the World Bank and the PIE, as the case may be; (E) enable the Borrower, the PIE, the World Bank, as the case may be, to inspect the project, its operation and any relevant records and documents; and (F) prepare and furnish to the Borrower, the PIE, the World Bank, as the case may be, all such information as the Borrower, the PIE, World Bank, shall reasonably request relating to the foregoing.
G. Safeguards

1. The Project Implementing Entity shall carry out the Project in accordance with the provisions of the Environmental and Social Management Framework ("ESMF") and the Resettlement Policy Framework ("RPF").

2. If any Supplemental Social and Environmental Safeguards Instrument is required under any of the Safeguards Instruments, the Project Implementing Entity shall:
   (a) furnish such Supplemental Social and Environmental Safeguards Instrument prepared in accordance with the applicable Safeguards Instrument, to the World Bank for review and approval as specified in the OM; and thereafter adopt such Supplemental Social and Environmental Safeguards Instrument prior to implementation of the activities; and
   (b) thereafter take such measures as shall be necessary or appropriate to ensure full compliance with the requirements of such Supplemental Social and Environmental Safeguards Instrument.

3. The Project Implementing Entity shall ensure that all technical assistance under the Project, application of whose results would have environmental or social implications, shall only be undertaken pursuant to terms of reference reviewed and found satisfactory by the World Bank, such terms of reference to ensure that the technical assistance takes into account, and calls for application of the World Bank's environmental and social safeguards policies and the Borrower's own laws relating to the environment and social aspects.

4. If any activity under the Project would involve Affected Persons, the Project Implementing Entity shall: (a) ensure that no land acquisition or displacement (including restriction of access to legally designated parks and protected areas) shall occur before resettlement measures under a Supplemental Social and Environmental Safeguards Instrument prepared in accordance with the RPF, including, in the case of displacement, full payment to Affected Persons of compensation and of other assistance required for relocation, have been implemented; and (b) ensure that the Final Beneficiary provides any financing required for the fulfillment of any measures under sub-paragraph (a) above, including any costs associated with land acquisition required for the Project.

5. Without limitation upon its other reporting obligations under this Agreement, the Project Implementing Entity shall for each of the Safeguards Instruments including the related Supplemental Social and Environmental Safeguards Instrument, regularly collect, compile and furnish to the World Bank reports in form and substance satisfactory to the World Bank, on the status of compliance with such Safeguards Instrument including the related Supplemental Social and
Environmental Safeguards Instrument, as part of the Project Reports, giving details of:

(a) measures taken in furtherance of the Safeguards Instruments including the related Supplemental Social and Environmental Safeguards Instruments;

(b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguards Instruments including the related Supplemental Social and Environmental Safeguards Instruments; and

(c) remedial measures taken or required to be taken to address such conditions.

Section II. **Project Monitoring, Reporting and Evaluation**

A. **Project Reports; Completion Report**

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports for the Project in accordance with the provisions of Section 4.08 of the Standard Conditions and on the basis of indicators acceptable to the World Bank and set out in the Operations Manual. Each such Project Report shall cover the period of one calendar quarter and shall be furnished to the Recipient and the World Bank not later forty-five (45) after the end of the period covered by such report for incorporation and forwarding by the Recipient to the World Bank of the overall Project Report.

2. The Project Implementing Entity shall provide to the Recipient not later than six (6) months of the Closing Date, for incorporation in the report referred to in Section 2.06(c) of the Standard Conditions all such information as the Recipient or the World Bank shall reasonably request for the purposes of such Section.

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

1. The Project Implementing Entity shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. Without limitation on the provisions of Part A of this Section, the Project Implementing Entity shall ensure and cause to be prepared and furnished to the World Bank 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 World Bank.

3. The Project Implementing Entity shall ensure and cause to be audited the Financial Statements for the Project in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each audit of the Financial Statements shall cover the
period of one calendar year. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

Section III. Procurement

The Project Implementing Entity shall ensure that all goods and services required for Part 2 of the Project and to be financed out of the proceeds of the Loan or Grant shall be procured in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement, and Section III of Schedule 2 to the Grant Agreement.