OFFICIAL DOCUMENTS

CREDIT NUMBER 6156-RW

Financing Agreement
(First Programmatic Energy Sector Development Policy Financing)

between

REPUBLIC OF RWANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

[Signature]

[Signature]
FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date 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: (i) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (ii) 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) apply to and form 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 a credit, deemed by the Association to be on concessional terms, as set forth or referred to in this Agreement, in an amount equivalent to eighty-eight million five hundred thousand Special Drawing Rights (SDR 88,500,000) (variously, "Credit" and "Financing")

2.02. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.

2.03. The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.

2.04. The Payment Dates are June 1 and December 1 in each year.

2.05. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 2 to this Agreement.

2.06. The Payment Currency is Dollar.
2.07. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Recipient shall promptly furnish to the Association such information relating to the provisions of this Article II as the Association may, from time to time, reasonably request.

ARTICLE III — PROGRAM

3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:

(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 and the actions specified in Section I of Schedule I to this Agreement;

(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 I to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following, namely 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 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 Signature Date.

5.03. For purposes of Section 10.05 (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 years after the Signature Date.
ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is its minister responsible for finance.

6.02. For purposes of Section 11.01 of the General Conditions: (a) the Recipient’s address is:

Ministry of Finance and Economic Planning
P. O. Box 158
Kigali
Rwanda; and,

(b) the Recipient’s Electronic Address is:

Facsimile: 250-25257-75-81  E-mail: minfin@minecofin.gov.rw

6.03. For purposes of Section 11.01 of the General Conditions: (a) The Association’s address is:

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

(b) the Association’s Electronic Address is:

Telex: 248423 (MCI)  Facsimile: 1-202-477-6391  E-mail: infokenya@worldbank.org
AGREED as of the Signature Date.

REPUBLIC OF RWANDA

[Signature]
Authorised Representative
Name: CLAUER GATEE
Title: MINISTER
Date: 4th Dec 2017

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]
Authorised Representative
Name: YASSER EL-GANNAI
Title: Country Manager
Date: December 4, 2017
SCHEDULE 1
Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

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

A. Contain Fiscal Impact of the Electricity Sector

1. The REG Board of Directors approved the assessment of current revenue requirements of REG and its affiliate companies contained in the REG Strategic Plan 2017-2026 and started an independent review of said assessment (as evidenced by the REG Board of Directors' Resolution No. 023/08/2017, dated August 30, 2017).

B. Improve the Operational Efficiency, Affordability and Accountability of the Electricity Service

1. The REG Board of Directors approved the outline of the Sector Development Investment Plan, which is based on the Least Cost Power Development Plan (as evidenced by the REG Board of Directors' Resolution No. 024/09/2017, dated September 13, 2017).

2. The Recipient, through MININFRA, adopted a resolution requiring the Least Cost Power Development Plan to be updated on an annual basis by REG (as evidenced by the Senior Management of MININFRA Resolution, dated September 5, 2017).

3. RDB strengthened the capacity of its Strategic Investment Department through:
   (i) organizational restructuring of said department (as evidenced in the new RDB Organizational Structure of 2016, available at www.rdb.rw and Statement on Cabinet Decisions of September 13, 2016);
   (ii) the appointment of at least one PPP analyst (as evidenced in the appointment letter Ref. No. RDB/1/Jan/026/2017, dated January 12, 2017 and signed by the Chief Executive Officer of RDB); and
   (iii) the certification on PPP matters of at least two staff of the Strategic Investment Department (as evidenced by the APMG Certified PPP Professional (CP3P) Foundation Examination certificates No. 0416125-01-QB8E and 04158644-01-LQBB, dated August 28, 2017 and August 16, 2017, respectively).

4. The REG Board of Directors: (i) approved the Technical Audit of the Recipient’s approach to electrification (as evidenced by the REG Board of Directors' Resolution No. 024/09/2017, dated September 13, 2017); and (ii) submitted it to the Recipient, through MININFRA, for its approval (as evidenced by the letter No. 11.07.021/556/17/CEO-REG/RW/tp, dated October 9, 2017, sent by the REG
CEO to the Honorable Minister of State in charge of energy and water in MININFRA).

5. RURA adopted a new electricity tariff schedule, which includes, *inter alia*, time-of-use incentives, demand charges for large consumers, lifeline tariff for low-volume electricity consumers below 15 kWh (as evidenced by the Regulatory Board Decision No. 05/BD/ER-LER/RURA/2016, dated December 13, 2016 reviewing the end of user electricity tariff in Rwanda, attached to letter No.2876/ER-LER/DG/RURA/016, dated December 22, 2016 of the Ag Director General of RURA to the Managing Director of EUCL Ltd.).

6. The Recipient, through MININFRA, approved a new connection policy that eliminates up-front payment of the full connection fee and allows said connection fee to be paid over time (as evidenced by the Senior Management of MININFRA Resolution, dated September 5, 2017).

7. The RSB issued and published in the Official Gazette the national standards consistent with the standards developed by the International Electrotechnical Commission for solar systems (as evidenced by the Notice to the General Public, published in the Official Gazette No. 02 of January 9, 2017) and the Recipient, through MININFRA, approved the Guidelines on Minimum Standard Requirements for Solar Home Systems to Support Off-Grid Standards Enforcement (as evidenced by the Senior Management of MININFRA Resolution, dated September 5, 2017).

8. The REG Board of Directors (i) endorsed the shift to consolidated financial reporting of REG and its affiliates and the revision of the chart of accounts, compliant with IFRS requirements; and (ii) approved the Roadmap Towards Compliance with IFRS (as evidenced by the REG Board of Directors' Resolution No. 024/09/2017, dated September 13, 2017).

9. REG: (i) initiated piloting the use of bulk metering to accurately measure systems losses (as evidenced by letter No.11.07.021/554/17/CEO-REG/RW/pm, dated October 9, 2017 of the REG CEO to the Managing Director of EUCL Ltd.); and (ii) approved the Plan for Commercial Losses Reduction of EUCL (as evidenced by the minutes of the REG Senior Management meeting, held on October 6, 2017, approved and signed by the REG CEO).

10. The Recipient, through MININFRA piloted the use of competitive international hiring of key staff in REG by (i) completing the competitive hiring of the new REG CEO (as evidenced by the employment contract No. 1.07.021/320/HRB-REG, dated June 2, 2017); and (ii) initiating a competitive hiring process for the appointment of a new REG CFO (as evidenced by STEP process initiated in September 17, 2017).
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 proceeds. 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 Financing Allocated (expressed in SDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Single Withdrawal Tranche</td>
<td>88,500,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>88,500,000</td>
</tr>
</tbody>
</table>

C. Withdrawal Tranche Release Conditions.

1. 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. Deposit of Financing Amounts.

Except as the Association shall otherwise agree:

1. all withdrawals from the Financing shall be deposited by the Association into an account in United States Dollars at the National Bank of Rwanda designated by the Recipient and acceptable to the Association; and,

2. the Recipient shall ensure that upon each deposit of an amount of the Financing into this account, an equivalent amount in Local Currency is accounted for in the Recipient’s budget management system, in a manner acceptable to the Association. 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 the Deposit Account audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;
furnish to the Association as soon as available, but in any case not later than six (6) months after the date of the Association's request for such audit, a certified copy of the report of such audit, 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 Account 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, 2019.
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 June 1 and December 1, commencing June 1, 2024 to and including December 1, 2055</td>
<td>1.5625%</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 3.05 (b) of the General Conditions.
APPENDIX

Definitions

1. "Banque Nationale du Rwanda" or "National Bank of Rwanda" means the central bank of the Recipient, established and operating pursuant to the Recipient’s Law No. 48/2017 of September 23, 2017 governing the National Bank of Rwanda.

2. "CEO" means the Chief Executive Officer.

3. "CFO" means the Chief Financial Officer.

4. "Energy Development Corporation Limited" or "EDCL" means the Recipient's limited liability company incorporated under the Companies Act Law No. 07/2009 of 27/04/2009 and operating under the Recipient’s Law No. 27/2017 of May 31 governing companies; or any legal successor thereto.

5. "Energy Utility Corporation Limited" or "EUCL" means the Recipient's limited liability company incorporated under the Companies Act Law No. 07/2009 of 27/04/2009 and operating under the Recipient’s Law No. 27/2017 of May 31 governing companies; or any legal successor thereto.


7. "IFRS" means International Financial Reporting Standards, as issued by the IFRS Foundation and the International Accounting Standards Board (IASB).


9. "Local Currency" means the Rwandan Franc.

10. "Local Currency Deposit Account" means the account referred to in Part D.2. of Section II of Schedule I to this Agreement.

11. "MININFRA" means the Recipient’s Ministry of Infrastructure, or any successor thereto.

13. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated October 6, 2017 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 and comprising actions taken, including those set forth in Section I of Schedule I to this Agreement, and actions to be taken consistent with the program’s objectives.

14. “RDB” means the Rwanda Development Board, established and operating pursuant the Law No. 46/2013 of June 16, 2013 establishing the Rwanda Development Board (RDB) and determining its mission, organization and functioning.

15. “REG” means Rwanda Energy Group, a company established pursuant to the Recipient Companies Act Law No. 07/2009 of 27/04/2009, and operating under the Recipient’s Law No. 27/2017 of May 31 governing companies.


17. “Roadmap Towards Compliance with IFRS” means the proposed steps to be implemented to ensure compliance with IFRS standards by 2019, contained in the slides titled “Roadmap Towards Compliance with IFRS” presented to the REG Board on September 13, 2017.

18. “RSB” means the Rwanda Standards Board, established and operating pursuant to the Law No. 50/2013 of 28/06/2013 establishing the Rwanda Standards Board (RSB) and determining its mission, organization and functioning, published in the Official Gazette No. 30 of 29/07/2013.

19. “RURA” means the Rwanda Utilities Regulatory Authority, established and operating pursuant to the Law No. 09/2013 of 01/03/2013 establishing the Rwanda Utilities Regulatory Authority (RURA) and determining its mission, powers, organization and functioning, published in the Official Gazette No. 14bis of 08/04/2013.

20. “Sector Development Investment Plan” means the slides titled “REG recommended least cost power development plan” in the power point presentation titled “Assessment of the State of Electricity Generation System in Rwanda – Least Cost Planning 2030”, based on the report with the same name, dated September 13, 2017, presented to the REG Board.
21. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to "the date of the Financing Agreement" in the General Conditions.

22. "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.

23. "STEP" means the Association's tool named "systematic tracking of exchanges in procurement".

24. "Strategic Investment Department" means the department within RDB responsible for leading the negotiation of strategic investments on behalf of the Government of Rwanda.

25. "Technical Audit" means the Assessment of Current Electrification Programs, dated August 2017, conducted by EDCL.