Project Implementation Manual

Version 01-PIM-AFIRR – October 20, 2021

TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS

AFIRR	:	Access to Finance for Recovery and Resilience Project
AIIB	:	Asian Infrastructure Investment Bank
AMIR	:	Association of Microfinance Institutions of Rwanda
BDF	:	Business Development Fund
BDS	:	Business Development Services
BEs	:	Business Enterprises
BNR	:	National Bank of Rwanda (*Banque Nationale du Rwanda*)
BRD	:	Development Bank of Rwanda (*Banque Rwandaise de Développement*)
DAs	:	Designated Accounts
E&S	:	Environmental and Social
ERF	:	Economic Recovery Fund
ERP	:	Economic Recovery Plan
ESF	:	Environmental and Social Framework
ESS	:	Environmental and Social Standards
FA	:	Financing Agreement
FI	:	Financial Institution
FM	:	Financial Management
GoR	:	Government of Rwanda
GRiF	:	Global Risk Financing Facility
GRS	:	Grievance Redress Service
IDA	:	International Development Association
IFR	:	Interim Financial Report
LoC	:	Line of Credit
M&E	:	Monitoring and Evaluation
MFI	:	Microfinance institution
MINECOFIN	:	Ministry of Finance and Economic Planning
MINICOM	:	Ministry of Trade and Industry
MoU	:	Memorandum of Understanding
MSEs	:	Micro and Small Enterprises
MSMEs	:	Micro, Small, and Medium Enterprises
NPL	:	Non-performing Loan
NSC	:	National Steering Committee
PA	:	Project Agreement
PCT	:	Project Coordination Team
PDO	:	Project Development Objective
PFI	:	Participating Financial Institution
PIM	:	Project Implementation Manual
PIU	:	Project Implementation Unit
PPSD	:	Project Procurement Strategy for Development
PSF	:	Private Sector Federation
PTC	:	Project Technical Committee
RBA	:	Rwanda Bankers' Association
RDB	:	Rwanda Development Board
SFA	:	Subsidiary Financing Agreement
SLA	:	Sub-loan Agreement
SMEs	:	Small and Medium Enterprises
SPIU	:	Single Project Implementation Unit
STEP	:	Systematic Tracking of Exchanges in Procurement
TA	:	Technical Assistance

DEFINITION

1. **Acceleration:** Means the BRD or the Lender's right on and at any time after the occurrence of an Event of Default to cancel the commitment and declare that all or part of the outstanding loan with accrued interest be immediately due and payable.
2. **Backstop insurance for BLW:** Means an insurance mechanism to be used by BDF to protect BLW's capital from depletion.
3. **Blended Financing** is a leveraging mechanism where AFIRR funds can be blended with the loans extended to eligible Business Enterprises, both through on-lending and direct lending windows. The eligible businesses will be allowed to access up to 60% of the loan through AFIRR project ((Sub-component 1.3)) and remaining 40% will be financed by PFIs/BRD using its own capital.
4. **Bridge Lending Window (BLW)**: The BLW is a facility designed to provide interim bridge loans to MSMEs through PFIs to cover debt servicing cost in case of a relatively frequent and moderate climatic shock-resulting from changes in temperature, precipitation, and their distributions, including droughts, floods, and landslides
5. **Business days:** means a day (other than a Saturday or Sunday) on which banks are open for general business in the Republic of Rwanda.
6. **Business Enterprises (BE)** shall mean Large and Small and Medium Enterprises (SMEs) with high growth potential for domestic, regional, and international markets. Any BE that fulfill eligibility criteria mentioned in Section 15.1.1 will get access to the Line of Credit (LoC) facility from Access to Finance for Recovery and Resilience (AFIRR) project. The BEs should strictly use the proceeds of LoC only for eligible expenditures allowed by AFIRR.
7. **Commitment period:** A six (6) month period in which the PFI has to disburse funds to the Final beneficiary following a commitment made by the PFI.
8. **Commitment:** means approving funds to eligible Final Beneficiaries through PFI's existing approval procedures to the extent not cancelled or reduced under the Sub-Loan Agreement.
9. **Credit committee:** An internal body staffed in line with the PFI/BRD's policy and provisions acceptable to the BNR, responsible for the evaluation and approval of all sub-loan applications.
10. **Credit rating**: A quantified assessment of a borrower's creditworthiness in general terms or with respect to a particular LoC/financial obligation.
11. **Default:** means an Event of Default or any event or circumstance specified in Clause titled "Events of Default" which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing) be an Event of Default.
12. **Direct lending** is one of the LoC windows extended directly from BRD to the eligible BEs in the following situations: (i) the proposed investment financing has a risk profile that does not fall within the acceptable risk appetite of PFIs (such as start-up businesses, green field projects); (ii) syndicated transactions, where BRD acts as the lead arranger; and (iii) the BE has already pledged his collaterals with BRD or needs to use BRD partners guarantees funds (i.e.; FSA, FAGACE, SIDA, etc.).
13. **Disbursement Agreement** shall mean the agreement signed between PFI and BRD with terms and conditions pertaining to the disbursement of AFIRR facility. The agreement will outline the nature of sub-loan borrowing entity and its business activities. The Disbursement Agreement will provide the list of the sub-loan borrowers and the purpose of the sub-loan such as working capital management and or investment and or refinancing.
14. **Disbursement:** Deposit of funds on the beneficiary's designated bank account. The beneficiary represents PFI and or Final Beneficiary.
15. **Disruptive event:** means either or both of:

a. a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the Loan which disruption is not caused by, and is beyond the control of, any of the Parties; or
b. the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a Party preventing that, or any other Party:
    i. from communicating with other Parties in accordance with the terms of this Agreement, and which (in either such case) is not caused by, and is beyond the control of, the Party whose operations are disrupted.
    ii. from performing its payment obligations under this Agreement; or

    and which (in either such case) is not caused by, and is beyond the control of, the Party whose operations are disrupted.

16. **Eligibility criteria:** means PFI eligibility criteria and BE sub-loan eligibility criteria as set out in the Project Implementation Manual (PIM).
17. **Environmental and Social Commitment Plan** (**ESCP**) is a safeguards instrument that sets out the material measures and actions required for the project to meet the environmental and social standards (ESSs) over a specified timeframe. It forms part of the legal agreement that will include, as necessary, obligations of the Borrower to support the implementation of the ESCP.
18. **Environmental and Social Due Diligence (ESDD)** is an assessment and analysis of environmental and social risks and opportunities associated with a sub-project to assist the Bank in deciding whether to provide support for the intended sub-project and, if so, the way in which environmental and social risks and impacts will be addressed in the assessment, development and implementation of the sub-project.
19. **Environmental and Social Impact Assessment (ESIA**) or **full ESIA** is an instrument to identify and assess the potential environmental and social impacts of a proposed sub-project, evaluate alternatives and design appropriate mitigation, management, and monitoring measures. It will be a condition for all AFIRR sub-projects screened to have significant impacts and prepared prior to commencement of works.
20. **ESIA Certificate** is a document issued by Rwanda Development Board (national competent authority) and certifying that the ESIA report was done in full compliance with Rwanda E&S regulations and is officially approved and planned activities are authorized to begin.
21. **Environmental and Social Management Framework** (**ESMF**) is an instrument that examines the risks and impacts when a project consists of a series of sub-projects and risks and impacts cannot be determined until the sub-projects' details are identified. The ESMF sets out the principles, rules, standards and procedures to assess the environmental and social risks and impacts. This instrument is required for a medium to high risk project and prepared before sub-project appraisal.
22. **Environmental and Social Management Plan** (**ESMP**) or **partial ESIA** is an instrument that details (a) the measures to be taken during the implementation and operation of a sub-project to eliminate or offset adverse environmental and social impact, or to reduce them to acceptable levels; and (b) the actions needed to implement these measures. It is required for all AFIRR sub-projects with moderate impacts/risks before implementation of the sub-project. The ESMP may also be a site-specific plan that consists of a set of cost-effective mitigation, monitoring, and institutional measures to be taken during construction and operation phases to eliminate, offset or reduce identified adverse environmental and social impacts to acceptable levels. It is an integral part of a full or partial ESIA prepared to ensure that the subproject is implemented in an environmentally and socially sound manner where all contractors (or subcontractors if

any), supervising firms and stakeholders, understand the potential environmental and social risks associated with the proposed project and take appropriate actions to adequately manage those risks.

23. **Environmental and Social Management System** (**ESMS**) is a set of policies, procedures, tools and internal capacity to assess, manage and monitor environmental and social risks and impacts of subprojects, as well as the overall portfolio risk in a responsible manner.
24. **Environmental and Social Standards** (**ESSs**) are operational procedures designed to help Borrowers to manage the environmental and social (E&S) risks and impacts of a project, and improve their E&S performance, through a risk and outcomes-based approach.
25. **Event of Default:** means any event or circumstance specified as such in Clause titled "Events of Default".
26. **Final Beneficiaries:** means Rwanda based Business Enterprises (micro, small, medium and large business) who are unable to access long-term finance for working capital and scale up investment during and post-COVID-19 that qualify under the AFIRR eligibility criteria.
27. **Financial Indebtedness:** means any indebtedness for or in respect of:
    a. moneys borrowed;
    b. any amount raised by acceptance under any acceptance credit facility or dematerialized equivalent;
    c. the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as a balance sheet liability;
    d. receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
    e. any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
    f. any amount raised under any other transaction (including any forward sale or purchase agreement) of a type not referred to in any other paragraph of this definition having the commercial effect of a borrowing;
    g. any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
    h. any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value (or, if any actual amount is due as a result of the termination or close-out of that derivative transaction, that amount) shall be taken into account);
28. the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (h) above.
29. **Financing Agreements** (**FAs**) shall mean the Grant Agreement and Loan Agreement signed between the International Development Association (World Bank) and the Government of Rwanda (represented by MINECOFIN) with terms and conditions pertaining to the implementation of AFIRR project. Both agreements are signed in foreign currencies.
30. **Framework Agreement** is an agreement with one or more firms that establishes the terms and conditions that will govern any contract awarded during the term of the Framework Agreement (a call-off contract).
31. **GAAP:** means Generally Accepted Accounting Principles in Rwanda including IFRS.
32. **Grievance Redress Committee** (**GRC**) is a special committee put in place at the project or sub-project management unit to handle grievances associated with project/sub-projects throughout its life cycle.

33. **Grievance Redress Mechanism** (**GRM**) is a set of process and procedures designed to receive, resolve concerns and grievances of project-affected parties arising in connection with the project using an understandable and transparent process that provides timely feedback to the complainants in a language they understand, without any retribution and monitor the implementation of taken decisions. The grievance mechanism is proportionate to the risks and impacts of the project and operates in an independent and objective manner.
34. **Grievance Redress Service** (GRS) is an avenue for project affected parties (individuals and communities) to submit complaints associated with a Donor-financed project to the Donor (e.g. World Bank) and give him a reasonable opportunity to respond. The GRS enhances the donor's responsiveness and accountability to project-affected communities by ensuring that grievances are promptly reviewed and addressed.
35. **Investment credit line (US$ 150 million)** is the LoC facility extended to eligible BEs through Sub-component 1.3 of the AFIRR Project. All the business sectors directly or indirectly affected by the COVID-19 will be eligible for investment credit line. 60 % of the investment LoC will be allocated to SMEs and 40% will be allocated to large BEs.
36. **Labor Management Plan** (**LMP**) is an instrument that describes the requirements and expectations in terms of compliance, monitoring, roles and responsibilities, reporting and capacity building with respect to labour and working conditions in the project.
37. **Large Enterprise** shall refer to those businesses with an annual turnover above FRW 1 billion. BRD will finance large enterprises through Sub-component 1.2 and Sub-component 1.3 of the AFIRR Project.
38. **Least Cost Based Selection** (**LCS**) is a competitive process among the shortlisted consulting firms under which the selection of the successful firm takes into account the cost of the services. LCS is generally appropriate for assignments of a standard/routine nature (such as engineering designs of non-complex works) for which well-established practices and standards exist.
39. **Legal Agreements** shall refer to the Financing Agreements, the Loan Agreement, and the Project Agreements.
40. **Line of Credit (LoC)** shall mean the credit facilities extended to eligible BEs (Large and SMEs) for the purpose of investment, working capital and or refinancing. The LoC can be extended through both on-lending (through PFIs) and BRD direct lending windows.
41. **List of BRD excluded business/activities** is a list that defines the types of projects that BRD does not finance, either directly or indirectly through financial institution clients or PFIs.
42. **Loan Agreement (LA)** shall mean the loan agreement signed between AIIB and GoR (represented by MINECOFIN) with terms and conditions pertaining to the implementation of AFIRR project.
43. **Loan:** means a loan made or to be made under the AFIRR facility or the principal amount outstanding for the time being of that loan.
44. **Material Adverse Effect:** means a material adverse effect on:
    a. the business, operations, property, condition (financial or otherwise) or prospects of the PFI taken as a whole.
    b. the ability of the PFI to perform its obligations under this Agreement.
    c. the political situation and other risks (political, economic or otherwise) relating to Rwanda in a manner that would be materially adverse to the Lender (BRD).
45. **Microbusiness Credit Line:** This is a credit facility under AFIRR project meant to support microbusiness needs in working capital and investment capital. BDF will extend this loan to MSMEs through MFIs/SACCOs.
46. **Micro-enterprise** shall refer to those businesses with an annual turnover below or equal to FRW 50 million. Business Development Fund (BDF) will finance micro enterprise through Sub-component 1.1 and Component 2 of the AFIRR Project.

47. **Month:** means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:
    a. (subject to paragraph (c) below) if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day.
    b. if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month; and
    c. if an Interest Period begins on the last Business Day of a calendar month, that Interest Period shall end on the last Business Day in the calendar month in which that Interest Period is to end.

    The above rules will only apply to the last Month of any period.
48. **On-lending** is one of the LoC windows extended through PFIs to the eligible BEs for financing in a) investment; and b) working capital LoCs. 65 percent of the AFIRR facility is expected to extend through on-lending window.
49. **Partial Credit Guarantee**: This is a credit risk mitigation facility issued to lenders to absorb a portion of the lender's losses on the loans made to MSMEs in case of default.
50. **Participating Agreement** shall mean the agreement signed between BRD/BDF and eligible PFIs with terms and conditions pertaining to the implementation of AFIRR Project. The Participating Agreement will be signed in local currency.
51. **Participating Financing Institution (PFI):** means financial institutions licensed by BNR (commercial banks, microfinance institutions, SACCOs, etc.) to be selected by the Project Implementing Entity (BRD and BDF) for participation in AFIRR project on the basis of the eligibility criteria set forth in the PIM, and in accordance with the provisions of the Project Agreements.
52. Performance Based Conditions (PBCs): Means conditions that BDF is required to fulfil in order for the World Bank to make disbursement of the partial credit guarantee fund under the AFIRR project.
53. **Pipeline:** means a list of eligible sub-projects to be presented with supporting documents (term sheet) in an application by the PFI to BRD requesting for the disbursement.
54. **Procurement Plan** (**PP**) is the process of identifying and consolidating requirements and determining the timeframes for their procurement with the aim of having them as and when they are required. A good procurement plan will describe the process in the identification and selection of suppliers/contractors/consultants.
55. **Policy on Prohibited Practices (PPP)** shall mean AIIB's "Policy on Prohibited Practices", dated December 8, 2016, as amended from time to time.
56. **Project Agreements** (**PAs**) shall mean the agreements signed between World Bank and BRD, and between AIIB and BRD, with terms and conditions pertaining to the project implementation. The agreement shall outline the implementation structure and roles and responsibilities of BRD in the project implementation.
57. **Project Coordination Team** (**PCT**) shall represent the team formed by MINECOFIN and accepted by World Bank for the successful coordination and management of AFIRR project. The PCT will coordinate the activities being conducted by both PIUs (BRD PIU and BDF PIU). The key staff in the PCT will be (i) a Project Coordinator, (ii) a Monitoring and Evaluation (M&E) Specialist, (iii) an Environmental and Social (E&S) Coordinator, (iv) a Financial Management Specialist, and (v) a Procurement Specialist. The PCT will be structured under the MINECOFIN SPIU.
58. **Project Implementation Unit** (**PIU**) shall represent the team formed by Project Implementation Entity (PIE) for the day-to-day implementation of AFIRR. The BRD PIU will be represented by (A) a Project Coordinator, (B) two Investment Officers, (C) a Procurement Specialist, (D) a Financial Management Specialist, (E) two E&S Safeguard Specialists, (F) a

Grievance Redress Officer, (G) a Project Accountant, (H) a Legal Counsel, (I) a Credit Risk Officer, and (J) a M&E Officer, all with such qualifications and under terms of reference acceptable to the World Bank/AIIB. A Senior Financial Advisor will be recruited for the overall advisory services to the PIU. The PIU will be structured under BRD SPIU.

59. **Project Procurement Strategy for Development** (**PPSD**) is a project-level strategy document, prepared by the Borrower, that describes how procurement in IPF operations support the development objectives of the project and deliver Value for Money (VfM).
60. **Quality and Cost Based Selection** (**QCBS**) is a competitive process among shortlisted consulting firms under which the selection of the successful firm takes into account the quality of the proposal and the cost of the services. The request for proposals document shall specify the minimum score for the technical proposals. The relative weight to be given to the quality and cost depends on the nature of the assignment. Among the proposals that are responsive to the requirements of the request for proposals document and are technically qualified, the proposal with the highest combined (quality and cost) score is considered the Most Advantageous Proposal.
61. **Quality Based Selection** (**QBS**) is a competitive process among shortlisted consulting firms under which the selection of the successful firm. Under QBS, the proposal quality is evaluated without using cost as an evaluation criterion. If the request for proposals requests both technical and financial proposals, the financial proposal of only the highest technically qualified firm is opened and evaluated to determine the Most Advantageous Proposal. However, if the request for proposals document requests only technical proposals, the firm with the highest-ranked technical proposal is invited to submit its financial proposal for negotiations.
62. **Refinancing credit line** is the LoC facility extended to eligible BEs through Sub-component 1.2 of the AFIRR Project. The BEs affected by the COVID-19 will receive refinancing LoC at an interest rate of maximum 5% per annum, including fees and commissions. BRD will implement this facility in close collaboration with MINECOFIN.
63. **Related parties** shall refer to the majority shareholders (greater than 50% shareholding) having investment in more than one BE.
64. **Small and Medium Enterprises (SMEs)** shall refer to those businesses with an annual turnover above FRW 50 million and below or equal to FRW 1 billion. BRD will finance SMEs through Sub-component 1.2 and 1.3 of the AFIRR Project.
65. **Stakeholder Engagement Plan** (**SEP**) is an instrument designed to identify and communicate with project stakeholders, both project-affected parties and other interested parties to enhance project acceptance, improve the E&S sustainability of projects and make a significant contribution to successful project design and implementation.
66. **Sub-loan Agreement** (**SLA**) shall mean the agreement signed between PFI and BE with financing conditions of on-lending to the eligible sub-project or businesses. The agreement signed between BRD and BE for direct lending to eligible sub-project or business shall also be represented by SLA.
67. **Sub-project** shall mean the eligible projects financed by BRD directly or on-lending through PFI under financing conditions stipulated on the Sub-loan Agreement (SLA) signed between BEs and BRD/PFI.
68. **Subsidiary Financing Agreement** (**SFA**) shall mean the agreement signed between MINECOFIN and BRD with terms and conditions pertaining to the implementation of AFIRR project. The SFA will be signed in local currency.
69. **Summary Screening Project Report (SPR)** is an abbreviated safeguard instrument used for low E&S risk category sub-projects where some activities if not well managed could cause some adverse impact but at a tolerable level. SPR reflects anticipated adverse E&S impacts, planned mitigation measures, and responsible person to ease the monitoring process.

70. **Systematic Tracking of Exchanges in Procurement** (**STEP**) is an online system to help World Bank and borrowers plan and track procurement activities under World Bank-financed projects.
71. **Term sheet:** means an indicative bullet-point document outlining the material terms and conditions of a potential Sub-Loan Agreement between the PFI and the Final Beneficiary.
72. **Working Capital credit line** is the LoC facility extended to eligible BEs through Sub-component 1.3 of the AFIRR Project. All the business sectors directly or indirectly affected by the COVID-19 will be eligible for working capital credit line. This credit line supports enterprises looking at adapting, expanding and/or starting their business with special focus on manufacturing sector.
73. **Women-inclusive Enterprises** are defined as: (i) at least one female shareholder and with at least one woman at chief-level (C-level), or ii) employing a ratio of women that is higher than the average ratio observed in the respective sector.

1 INTRODUCTION

In April 2020, the Government of Rwanda (GoR) established an Economic Recovery Fund (ERF) to support the recovery of businesses hardly hit by COVID-19 pandemic so that they can survive, resume operations and safeguard employment, thereby cushioning the economic effects of the pandemic. National Bank of Rwanda (BNR) was appointed as the Fund Manager.

The Access to Finance for Recovery and Resilience (AFIRR) Project is designed to further support the ERF by increasing access to finance and support recovery and resilience of businesses affected by the COVID-19 pandemic.

The project focuses on addressing identified market failures to increase access to finance for businesses, including liquidity shortages as well as long-term sources of finance to support investments for business expansion and adaptation.

The PIM has been developed consistent with the provisions of the Legal Agreements signed by the Republic of Rwanda (represented by MINECOFIN) with the World Bank and Asian Infrastructure Investment Bank (AIIB) and the Subsidiary Financing Agreement (SFA) signed by Development Bank of Rwanda (BRD) and Business Development Fund (BDF) with MINECOFIN. In case of any conflict between this PIM and the above agreements, the terms of the Financing Agreements shall prevail.

The PIM is divided into three parts namely Part 1: MINECOFIN PIM, Part 2: BRD PIM and Part 3: BDF PIM. Each PIM has its own chapters including implementation tools and templates such as Participating Agreement between BRD/BDF with Partner Financial Institutions (PFIs), Sub-loan Agreement, Disbursement Agreement, reporting templates, list of priority sectors, list of ineligible businesses, etc.

1.1 Objective of the Manual

The PIM provides guidelines and procedures to be followed by MINECOFIN, BRD and BDF and all other project stakeholders. The main objectives of the manual are to:

- Ensure the establishment of the appropriate administrative and project management arrangements for all levels of the operation.
- Standardize procedures and processes for the operations of the AFIRR in coordination with the different stakeholders, PFIs, MINECOFIN, World Bank, AIIB, BDF, and other stakeholders.
- Ensure effective and efficient deployment of all project resources in a timely manner.
- Establish guidelines and eligibility criteria for the project participation by interested PFIs (commercial banks, microfinance institutions, SACCOs), Micro, Small and Medium Enterprises (MSMEs), and large Business Enterprises (BEs).
- Provide tools and templates for accountability and transparent management of project resources.
- Ensure the project implementation is within the legislative framework of Rwanda and in line with World Bank and AIIB policies and procedures.

1.2 Adoption and Amendment of the Manual

The contents of the Manual have been agreed with MINECOFIN, the World Bank, and AIIB. Each implementing entity (BRD and BDF) will share with the World Bank and AIIB any material updates to their policies or other changes that may require changes in the PIM. The PIM is a living document and will be reviewed on a regular basis during project implementation. Any amendment made to the PIM will be approved internally by the project implementing entities and MINECOFIN and receive no-objection from the World Bank and AIIB.

BRD, BDF and MINECOFIN will archive every version of the PIM (mainly their part of the PIM) for future reference. The latest version of the PIM will be publicly available on the website of BRD, BDF and MINECOFIN.

1.3 Project Documents

The documents listed below contain detailed information about the project and outline the legal obligations that must be followed during project implementation.

- Rwanda Access to Finance for Recovery and Resilience Project Appraisal Document (PAD)
- AIIB Project Document: Private-Sector Access to Finance for Post-COVID Recovery and Resilience (under the COVID-19 Crisis Recovery Facility)
- Scale up Facility Financing Agreement between Republic of Rwanda represented by MINECOFIN and International Development Association (IDA)
- Global Risk Financing Facility Grant Agreement between Republic of Rwanda represented by MINECOFIN and IDA (acting as administrator of the Global Risk Financing Facility)
- Loan Agreement signed between Republic of Rwanda represented by MINECOFIN and AIIB
- Project Agreement between IDA and BRD
- Project Agreement between AIIB and BRD
- Project Agreement between IDA and BDF
- Subsidiary Financing Agreement between MINECOFIN and BRD
- Subsidiary Financing Agreement between MINECOFIN and BDF
- Project Implementation Manual (PIM)
- Environmental and Social Management Framework (ESMF)
- Environmental and Social Commitment Plan (ESCP)
- Environmental and Social Management System (ESMS)
- Stakeholder Engagement Plan (SEP)
- Project Procurement Strategy for Development (PPSD)
- Project Procurement Plan

The project documents are publicly available on the websites of World Bank, AIIB, MINECOFIN, BRD and BDF.

1.4 Target Audience

This Manual is designed principally for use by the key stakeholders involved in the implementation and coordination of AFIRR Project. They include among other:

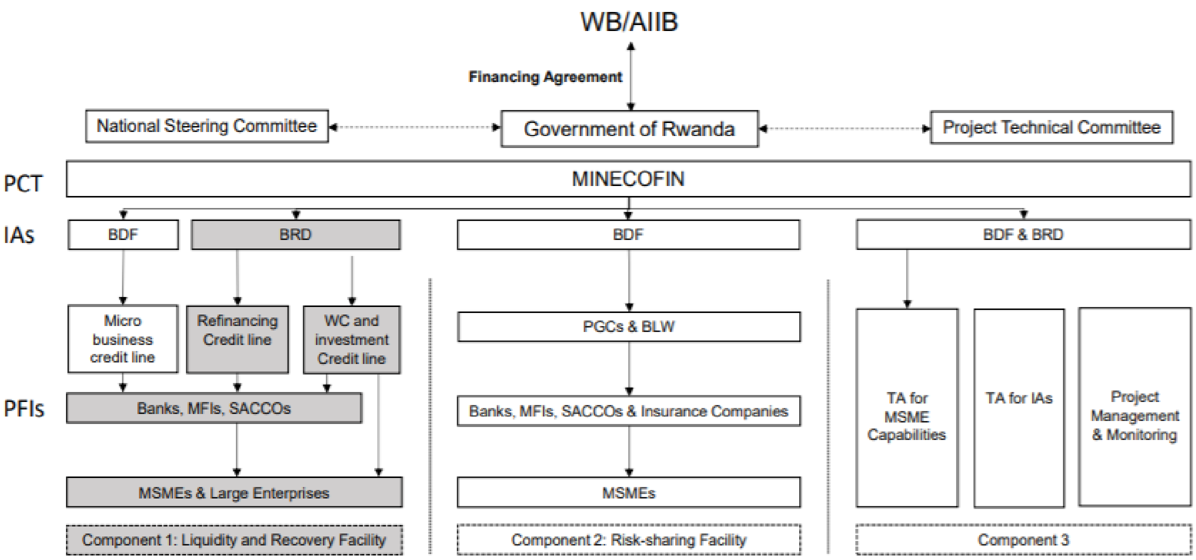
- Project Implementation Entities (PIEs) i.e. BRD and BDF
- Ministry of Finance and Economic Planning (MINECOFIN),
- National Bank of Rwanda (BNR)
- Development Partners - World Bank, AIIB
- Participating Financial Institutions (PFIs) i.e. commercial banks, microfinance institutions, and Saving and Credit Cooperative Societies (SACCOs, both Umurenge and non-Umurenge)

- MSMEs and large BEs who are direct beneficiaries of the project.
- Other stakeholders such as Private Sector Federation, Rwanda Bankers' Association, other Government ministries and agencies.

1.5 Project Implementation Arrangement

World Bank and AIIB will provide the funds to the GoR through MINECOFIN. The GoR will be the borrower and will take the currency risk and on-lend funds in local currency (FRW) to PIEs who will in turn, directly or through PFIs, lend the funds to the MSMEs and BEs.

Figure 1: Project Implementation Arrangement



2 PROJECT DEVELOPMENT OBJECTIVES AND EXPECTED BENEFITS

2.1 Project Development Objectives

The Project Development Objective (PDO) is to *increase access to finance and support recovery and resilience of businesses affected by the COVID-19 pandemic*. The Project provides financial relief to businesses affected by COVID-19 and supports resilience of businesses and recovery of overall economic activity in affected sectors, and specifically aims at;

a. mitigating the short-term financial impact of the pandemic on firms by providing liquidity through PFIs and directly by BRD.
b. providing long-term sources of funding to support investments of firms that can support jobs and economic recovery.
c. enhancing risk mitigation instruments available to PFIs to improve outreach in underserved segments.
d. addressing structural constraints on firm's demand side to enhance their capabilities and lift barriers to access finance.

2.2 PDO Indicators

The proposed indicators to help achieve the PDO targets are listed below and detailed in Annex 10.

1. Number of firms/businesses supported by the Project (Cumulative number)
2. Volume of financial support provided to firms/businesses (million US$)
3. Average tenor of loans supported by the Project for investment purposes (Years)
4. Employment multiplier: Ratio of weighted average change in employment of the firms financed under AFIRR, over the average change of employment in their respective sector
5. Private capital mobilized by the Project (million US$)
6. Women-inclusive firms receiving sub-loans under Sub-component 1.3 (Percentage)
7. Non-performing loans in the BRD sub-loan portfolio (Percentage)

2.3 Project Beneficiaries

Primary beneficiaries of this Project are Rwanda based micro, small, medium and large business who are unable to access long-term finance for working capital and scale up investment during and post-COVID 19. Project benefits to PFIs by providing them a longer-term liquidity and TA. The project will help increase employment opportunities by recovering the economy affected by COVID-19.

Three clearly identifiable target groups are: (a) BEs impacted by the pandemic, (b) underserved BEs facing tighter conditions and credit rationing, and (c) firms looking at adapting, expanding or starting their business lacking sources of long-term sources of finance.

2.4 Gender

The project aims to support women-inclusive enterprises through targeted Business Development Support (BDS) and TA to increase their uptake of programs.

The BDS support will include targeted outreach to women-owned/led businesses to increase the participation of women in the TA that will enhance their bankability and eligibility to meet the project criteria and benefit from the various financial products available under the project.

3 STEERING COMMITTEE

The AFIRR project will be led by the Economic Recovery Fund (ERF)[1] high-level National Steering Committee (NSC). The AFIRR project shall maintain throughout Project implementation a Project Technical Committee (PTC) with adequate resources and facilitation.

3.1 National Steering Committee

3.1.1 Member composition

- the Minister - MINECOFIN (Chair),
- the Minister - MINICOM,
- the Minister – MINALOC,
- the Chief Executive Officer – Rwanda Development Board (RDB),
- the Governor - BNR,
- the Chief Executive Officer - Private Sector Federation (PSF),
- the Chairman - Rwanda Bankers' Association (RBA),
- the Chief Executive Officer – BRD,
- the Chief Executive Officer – BDF.

The steering committee shall elect a vice-chairperson. The SC secretary will be appointed from the project Technical Committee (PTC).

3.1.2 Purpose

The NSC discusses policy and strategic issues related to the AFIRR/ERF project. The NSC will provide the general framework for policy coordination and high-level project oversight. The purpose is to provide strategic and policy guidance for the project at national level.

3.1.3 Frequency of meetings

The members of the NSC are expected to meet at least on a quarterly basis (4 times a year) and as needed, during project implementation.

3.1.4 Quorum Requirements

A minimum of at least two thirds (2/3) of the members or their authorized delegates will constitute a quorum to convene a valid meeting. The Chair will co-opt specialized agencies and stakeholders to discuss specific sectorial issues on ad-hoc basis.

3.1.5 The mandate

- Discuss policy and strategic issues related to the ERF and the AFIRR Project;
- Provide high-level Project oversight and policy coordination;
- Provide strategic guidance to the Project and monitor implementation progress;
- Review and approve the rules guiding the Project with No-objection from World Bank/AIIB;

[1] The ERF was established by the Cabinet resolution of April 30, 2020 to support businesses in the sectors hit hardest by COVID-19.

- Approve any changes on the Financing Agreement, Loan Agreement and Project Agreements;
- Oversee the implementation of the activities that contribute to the PDO indicators and agreed standard of outputs, outcomes and impacts;
- Facilitate coordination between high-level government agencies and resolve issues.

3.1.6 Secretariat of the NSC

The MINECOFIN PCT will take the role of the Secretariat in relation to the operation of the Steering Committee.

3.1.7 Role of the Secretariat

The Project Coordinator at the PCT will act as the Member Secretary to the NSC. The specific functions of the Secretariat in relation to the operation of the NSC will include:

- Circulate relevant AFIRR Project documents to members;
- Draft agenda in consultation with the Chair;
- Schedule SC meetings and call for the SC meetings
- Circulate agenda with supporting meeting documents to NSC at least 5calendar days prior to the scheduled meeting;
- Prepare minutes and record the decisions made during the meetings;
- Keep all the records of NSC meetings.

3.2 Project Technical Committee

3.2.1 Member composition

Key members holding such qualifications and under terms of reference acceptable to the World Bank/AIIB, such members comprise of: the Chief Economist - MINECOFIN (Chair) as well as representatives from MINICOM, RDB, BNR, BRD, BDF, RBA, AMIR.

3.2.2 Purpose of the PTC

The PTC discusses technical and operational issues related to the implementation of AFIRR project. The PTC will provide the general framework for technical coordination and project operation. The purpose is to provide technical and operational guidance for the successful implementation of the project by both PIUs.

3.2.3 Frequency of meetings

The members of the PTC are expected to meet at least on a quarterly basis (4 times a year) and as needed, during project implementation to review project results, discuss key issues and agree on key milestones over the following six months.

3.2.4 Quorum Requirements

A minimum of at least two thirds (2/3) of the members or their authored representatives will constitute a quorum to convene a valid meeting. The Chair will co-opt specialized agencies and stakeholders to discuss specific sectorial issues on ad-hoc basis.

3.2.5 The mandate

- Providing strategic guidance and technical advisory for project implementation to the PIUs,
- Reviewing implementation progress on a periodic basis,
- Resolving any Project coordination and implementation bottlenecks that may arise.
- Propose solutions on the challenges identified by the PIU;
- Review and provide strategic orientation on the rules, guidelines, and possible revision of the PIM to allow a maximum flexibility in the Project implementation;
- Oversee the implementation of the activities that contribute to the PDO indicators and agreed standard of outputs, outcomes and impacts;
- Facilitate coordination between key government agencies and resolve issues;
- Approve major changes to the Project Implementation Manual.

3.2.6 Secretariat of the PTC

The MINECOFIN PCT will take the role of the Secretariat in relation to the operation of the Project Technical Committee.

3.2.7 Role of the Secretariat

The Project Coordinator of respective PIU will act as the Member Secretary to the PTC. The specific functions of the Secretariat in relation to the operation of the PTC will include:

- Circulate relevant AFIRR Project documents to members;
- Draft agenda in consultation with the Chair;
- Circulate agenda with supporting meeting documents to PTC prior to the scheduled meeting;
- Prepare minutes and record the decisions made during the meetings;
- Keep all the records of the PTC meeting.

PART 1: MINECOFIN PIM

REPUBLIC OF RWANDA

MINISTRY OF FINANCE AND ECONOMIC PLANNING (MINECOFIN)

P.O. Box 158, Kigali

ACCESS TO FINANCE FOR RECOVERY AND RESILIENCE PROJECT (AFIRR)

PROJECT IMPLEMENTATION MANUAL

October 2021

4 PROJECT COMPONENTS

4.1 Component 1: Liquidity and Recovery Facility

(US$205.5 million: US$105.5 financed by World Bank and US$100 million co-financed by AIIB)

The objective of this component will be to alleviate the short and long-term financial constraints of firms and help them adjust their business to the post-COVID-19 scenario. The facility will provide lines of credit (LoC) to financial institutions (FIs) for on-lending to highly impacted and/or strategically important sectors and firms, and thus enable business continuity. The facility will also provide financing to support business expansion and adaptation, as well as new investments necessary for the recovery of the economy. It will be open to all private businesses located in Rwanda to support their operation and investment in Rwanda. BRD will implement the refinancing credit line following the design and operation under the ERF targeting priority sectors as defined by the government. BRD will also implement the working capital and investment credit lines targeting all firms regardless of firm size. A separate credit line dedicated to micro-businesses, will be implemented by BDF and will provide both working capital and investment loans for this market segment.

a. **Sub-component 1.1 (US$ 8.0 million financed by World Bank)** – Microbusinesses credit line (USD 8 million, WB). This sub-component will be implemented by BDF. It will capitalize the existing microbusiness credit line (window (iv)) of the ERF, to provide loans to micro-businesses via PFIs, namely savings and credit cooperatives (SACCOs). This sub-component will finance loans for working capital, as well as for investments related to business expansion and new ventures, towards job creation, economic recovery and growth.
b. **Sub-component 1.2 (US$ 37.5 million financed by World Bank)** – Refinancing credit line (USD 37.5 million, WB). This sub-component will be implemented by BRD. It will capitalize the refinancing credit line (window (i) of the ERF). BRD will on-lend to PFIs (banks and limited liability microfinance institutions (LL MFIs)) for subsequent lending to large companies and SMEs. The funds will go to refinancing existing financial commitments to ease the short-term hardship caused by the COVID-19 crisis. The refinancing window, initially under BNR, has thus far targeted businesses in hospitality and transport sectors., However, GoR is considering expanding it to other sectors given the widespread impact of the pandemic.
c. **Sub-component 1.3 (US$ 60 million financed by World Bank and US$ 100.0 million financed by AIIB)** – Working capital and investment credit line. This subcomponent will capitalize the existing working capital credit line (window (ii) of the ERF), and establish the new (fifth) window of the ERF, dedicated to investments. It will be implemented by the BRD, which will lend directly, as well as on-lend to PFIs for subsequent lending, to large companies and SMEs. This sub-component will finance: (i) loans for working capital needs, to enable businesses in sectors hardest-hit by COVID-19 to meet operational expenses, survive, and safeguard employment; and (ii) investment-related expenditures for the scale-up of existing, expansionready firms and the establishment of new ventures ready to exploit idle business opportunities – financing may be used to cover CAPEX, OPEX and working capital related specifically to the investment. The majority of funds, US$ 100 million, under this sub-component will go to the new investment window, which is expected to result in job creation and help position the economy on a path to recovery, growth and resilience.

4.2 Component 2: Risk-sharing Facility

(US$40 million: US$35 million financed by World Bank and US$5 million co-financed by the Global Risk Financing Facility – GRiF Grant)

- **This component will aim at enhancing, scaling up and expanding existing risk-sharing solutions—that is, Partial Credit Guarantee (PCG) and de-risking schemes—with the objective of reaching SMEs in sectors most hit by the COVID-19 pandemic.** Support provided under this component will be linked with credit for maintaining and scaling up production, and, ensuring suppliers are paid on delivery and employees are kept working. De-risking instruments will strengthen the financial resilience of target beneficiaries and PFIs to future shocks stimulating increased lending to the sector.
    a. **Sub-component 2.1 (US$ 30 million) The project will support the gradual capital increase for BDF's PCG upon fulfillment of Performance-Based Condition (PBC) to strengthen its operation.** This subcomponent aims to strengthen the operation of the BDF's PCG scheme and increase the overall number and value of guarantees issued. The PCG will help offset collateral requirements by PFIs to unlock financing to the SME sector, in particular those exposed to climatic shocks. The subcomponent will build on the existing PCG scheme and related programs managed by BDF and will improve the design and operational efficiency. The disbursement of this subcomponent will be based on Performance Based Conditions (PBCs) to improve results. The facility will largely benefit registered SMEs affected by the pandemic looking at accessing working capital or investment financing from PFIs.

    b. **Sub-component 2.2 (US$ 10 million: US$5 million financed by World Bank and US$5 million co-financed by GRiF Grant)** This subcomponent will establish a bridge lending facility (bride lending window (BLW)) to provide short-term lending to climatic shock-affected vulnerable SMEs; it will also provide a backstop insurance mechanism to protect BLW's capital from depletion. The BLW will provide bridge loans, via PFIs, to otherwise viable SMEs impacted by external shocks, to cover the cost of servicing their loan (under component 1) with the PFI. This will provide them with the financial space to cope with the shock and enable them to survive, recover financially, and thereafter resume debt service obligations. It will de-risk the BDF PCG scheme, by reducing the risk of SMEs defaulting on debt obligations. The insurance mechanism will ensure that the BLW is replenished/topped-up in the event of severe shocks.

4.3 Component 3: Institutional Strengthening and Implementation Support

(US$12 million: US$9.5 million financed by World Bank and US$2.5 million co-financed by the Global Risk Financing Facility - GRiF Grant)

a. **Sub-component 3.1 – Strengthening MSMEs' capability for resilience and recovery (USD 3.8 million, WB).** This sub-component will provide TA to strengthen the business management processes and systems of MSMEs to enhance their capacity to successfully access the ERF, and financing from the Project. TA will be tailored to address the specific challenges of each MSME, but is expected to include measures to improve financial literacy, digital literacy, business development, and environmental safeguards strengthening. BRD will implement TA directed at formal SMEs and large companies, and BDF will implement TA for micro-enterprises. BRD and BDF will also conduct an awareness campaign to ensure target MSMEs are informed on the ERF.

b. **Sub-component 3.2 – Institutional strengthening (USD 3.8 million – USD 1.3 million, WB; USD 2.5 million, GRiF Grant**). This sub-component will provide TA to strengthen the operations of the BRD and BDF, so they can successfully deliver the Project and continue to have impact beyond the Project life. With respect to BRD, TA will target strengthening of BRD's project management unit, and its business advisory services towards established firms with respect to expansion/diversification and new high potential ventures. With respect to BDF, TA will be directed at: (i) improving the design and operational efficiency of the existing PCG scheme, to increase uptake of the PCG by PFIs; ii) strengthening internal capacity to enable effective implementation of the de-risking mechanisms under component 2; and (iii) facilitating BDF to conduct capacity building activities for government and private sector stakeholders on technical aspects related to the BLW and insurance backstop mechanism.

c. **Sub-component 3.3 – Project management and monitoring (USD 4.4 million, financed by the World Bank).** This sub-component will support all aspects of project management related to: i) project staffing and their training; (ii) procurement and financial management; (iii) environmental and social safeguards implementation and compliance; (iv) monitoring and evaluation; v) equipment and operating costs; vi) communication and knowledge management.

4.4 Component 4 – Contingency Emergency Response Component

This component is a contingency component that can be activated in case of a relevant emergency event. Following an eligible crisis or emergency, the GoR may request the World Bank to re-allocate World Bank project funds to support an emergency response. Once triggered, this component will draw from the then uncommitted World Bank loan resources under the project to address the emergency. Definition of eligible emergency and list of activities will be developed in consultation with the GoR.

5 FUNDING SOURCES

This project will be funded by the World Bank (IBRD/IDA), Trust Fund (Global Facility for Disaster Reduction and Recovery) and AIIB as illustrated below:

Total Project Cost	US$ 257.50 million
Total Financing	US$ 257.50 million
of which IBRD/IDA	US$ 150.00 million
Financing Gap	0.00

DETAILS-NewFinEnh1	
World Bank Group Financing	
International Development Association (IDA)	US$ 150.00 million
IDA Credit	*US$ 150.00 million*
Trust Funds	US$ 7.50 million
Global Facility for Disaster Reduction and Recovery (GRiF)	*US$ 7.50 million*

Other Sources	US$ 100.00 million
Asian Infrastructure Investment Bank (AIIB)	*US$ 100.00 million*

These funds will be channelled to different components in the following ways:

Component Name	**Cost (US$, millions)**
Component 1 – Liquidity and Recovery Facility	205.50
Component 2 – Risk Sharing Facility	40.00
Component 3 – Institutional Strengthening and Implementation Support	12.00

5.1 Funds Disbursement

The project has six tranches of expected disbursements that will be made on a yearly basis in the following manner:

World Bank Fiscal Year	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Annual (US$, million)	0.00	30.00	40.00	50.00	60.00	60.00	17.50
Cumulative (US$, million)	0.00	30.00	70.00	120.00	180.00	240.00	257.50

6 FINANCIAL MANAGEMENT GUIDELINES

6.1 Ethics

The project shall be carried out in accordance with the World Bank and AIIB anti-corruption guidelines. All implementing entities shall adopt a fraud and corruption policy. In cases where the GoR suspects that potential misappropriation or diversion of funds, possible fraud or, corruption is taking place within activities supported by the World Bank or AIIB then these will be reported to World Bank/AIIB with immediate effect. Where the World Bank/AIIB has concerns over these types of issues, they must be brought to the immediate notice of the GoR. All suspected illegal and/or corrupt activities must be thoroughly investigated by the appropriate authorities and the findings shared with the World Bank/AIIB.

6.2 Financial Management Structure

MINECOFIN uses Smart Integrated Financial Management System (Smart IFMIS). This system will be used throughout the project implementation for transaction recording and reporting. IFMS allows commitments to be made before spending begins. BRD and BDF's financial records shall be maintained using their FM systems and shall be prepared in accordance with the International Financial Reporting Standards (IFRSs); these systems shall be modified to accommodate any special financial reporting requirements prescribed by World Bank/AIIB.

6.3 Project Planning and Budgeting

The project follows the GoR planning and budgeting procedures. Annual budget will be entered into the GoR's Smart IFMIS to ensure financial control over funds management. MINECOFIN-SPIU will prepare a work plan and corresponding budget on annual basis which will be subject to the World Bank's and AIIB's no objection. Revisions to the annual work plan and procurement plan will be subject to the World Bank's and AIIB's No Objection.

6.3.1 Medium Term Expenditure Framework (MTEF)

The main planning process which links the inputs and outputs is the MTEF which GoR runs annually between October and June for the forthcoming three years. MINECOFIN issues two budget call circulars (BCCs) according to an annual timetable published in October, to which all budget entities must respond:

- Budget Call Circular 1 covers the Planning Phase which runs between November and January to determine priorities for the next financial year.
- Budget Call Circular 2 covers the Budgeting Phase which runs between February and June and which includes budget ceilings.

6.4 Accounting and Reporting

Each implementing entity (BRD and BDF) will appoint a focal person who is responsible for ensuring that reports are (i) complete (ii) materially accurate and (iii) submitted within the required timescales.

The project financial records at MINECOFIN shall be maintained using the government Smart IFMIS, while the financial records at BRD and BDF shall be maintained using their FM systems and shall be prepared in accordance with the IFRSs; these systems shall be modified to accommodate any special financial reporting requirements prescribed by the World Bank/AIIB. The project implementing agencies will each prepare and submit quarterly interim financial reports to the World Bank within 45 days after the end of the quarter.

6.5 Disbursement and Flow of Fund

BRD shall have 2 DAs one in JPY and another in USD. The Euro DA shall be opened once the co-lender agreement between the World Bank and AIIB has been signed. BDF shall open 2 DAs, one in JPY and the other in USD. MINECOFIN shall open one DA in USD. BRD and BDF will open segregated Project Accounts in local currency (RWF) to make payments including project operating costs.

Disbursements will follow the IFR-based method. However, the project may also use direct payments, transaction-based Statement of Expenditure method, reimbursement and special commitments depending on the case. Contracts denominated in US$ will be settled from the DA or via direct payment from the World Bank/AIIB. Upon effectiveness, each of the project implementing agencies will submit to the World Bank through Client Connection, a request for withdrawal of funds accompanied by six months' cash forecast. Based on the request, the World Bank will transfer the proceeds of the loan/grant to the various DAs. Subsequent replenishment of the DAs will be based on the submission of application for withdrawal accompanied by a Statement of Expenditure. Disbursements for subcomponent 1.3 will follow co-financing agreement with AIIB in the ratio of 37.5 (World Bank) to 62.5 (AIIB).

6.5.1 Bank Accounts

The project will operate to the following bank accounts specific to the project:

1. Three designated accounts for BRD (DA-A1 in JPY, DA-A2 in USD and DA-A3 in Euro) will be opened at BNR, and will operate under a Project Account (PA) in FRW opened at the commercial bank approved by World Bank.
2. Two designated accounts for BDF (DA-B1 in JPY and DA-B2 in USD) will be opened at BNR and will operate under a Project Account (PA) in FRW opened at the commercial Bank approved by the World Bank.
3. One designated account for MINECOFIN (DA-C in USD) will be opened at BNR and will operate under the same account.

6.5.2 Disbursement to Designated Project Accounts

Disbursements to designated project accounts will follow the Interim Financial Report-based method. However, the project may also use direct payments, transaction-based Statement of Expenditure method, reimbursement and special commitments as defined in the table below depending on the case. Upon effectiveness, each of the project implementing agencies will submit to the World Bank, a request for withdrawal of funds accompanied by six months' cash forecast.

- **Reimbursement**. The World Bank may reimburse the borrower for expenditures eligible for financing, pursuant to the Financing Agreement, which the borrower has pre-financed from its own resources
- **Advances.** The World Bank may advance loan proceeds into a designated account of the borrower to finance eligible expenditures as they are incurred and for which supporting documents will be provided at a later date, or interim financial reports are submitted.
- **Direct payments.** The World Bank may make payments, at the borrower's request, directly to third party (e.g., a supplier, contractor, and consultant) for eligible expenditure.
- **Special commitment.** The World Bank may pay amounts to a third party for eligible expenditures under special commitment entered into, in writing, at the borrower's request and on terms and conditions agreed between the World Bank and the borrower.

6.5.3 Withdrawal Applications

Withdrawal applications from the World Bank will be done through the existing application of the World Bank Client Connection system, withdrawal applications will be accompanied by a six months cash forecast.

6.6 Repayment terms and conditions

Repayments to the World Bank and AIIB shall be guided by the Financing Agreement and the Loan Agreement respectively.

6.7 Expenditure Management

6.7.1 Payments made from Project Bank Accounts

The supplier of goods, services or works shall issue an invoice for services rendered which will be received and processed by the finance function:

- Compared to contract/local purchase order;
- Reviewed for accuracy

- Checked for budget cover;
- Goods or services certified as satisfactorily supplied by the beneficiary department/in charge;
- Approved for payment, on the basis that the above checks have been done;
- Based on approved invoice, the accountant will enter the commitment into Smart IFMIS where it will be authorized and paid according to the Smart IFMIS procedures and the GoR financial procedures.
- The payment voucher and supporting documentation will be filed for subsequent audit;

6.7.2 Miscellaneous Expenditure

Where appropriate, for project related activities, expenditures must be in the disbursement categories as specified in this manual; to be incurred as follows:

- Activities will only be funded if there is sufficient budget cover available;
- Payments will be processed through Smart IFMIS;
- The disbursement steps mentioned above shall apply with caution.

6.8 Financial Reporting

Each implementing agency will submit their IFRs separately, directly to the World bank through Client Connection within 45 days after the end of the quarter. The IFRs will be used to monitor project financial progress including the rate of budget execution and level of disbursements. In the same way, the respective agencies will prepare annual project financial statements, which will be submitted for external audit within three months after the financial year-end. Financial Reports shall at a minimum include:

a. Consolidated Sources and Uses of Funds (revenues and expenditures statement)
b. Consolidated Financial Position statement
c. Consolidated Cash flow statement
d. Consolidated Budget execution report
e. DA activity statement
f. Notes on accounting policies
g. Appendices

FM Activity	**Frequency**	**Outputs**
Desk reviews		
IFRs review	Quarterly	Interim Financial statements review report
Audit report review	Annually	Audit review report
Internal audit of project activities	Annually	Internal Audit review report
Review of other relevant information such as internal control systems reports	Continuous as they become available	FM review report
On-site visits		
Review of overall operation of the FM system including internal controls.	Twice every year (as part of Implementation Support Missions)	FM review report

Monitoring of actions taken on issues highlighted in audit reports, auditors' management letters, internal audit and other reports	As needed	FM review report
Transaction reviews (if needed)	Annually or as needed	FM review report
Capacity building support		
FM training sessions	By effectiveness and thereafter as needed	Training sessions held

6.8.1 Internal Control and External Auditing

Internal Auditing: The GoR PFM regulation provides a clear segregation of duties between the Chief Budget Manager, the accountant and the internal auditor and describes well procedures applied to budgeting, accounting and reporting chain. The internal controls of the project follow the existing GoR Public Financial Management law, regulations, and procedures. The MINECOFIN internal audit will audit the project on an annual basis in accordance with Public Financial Management law.

External Auditing: The activities managed by MINECOFIN shall be subject to external audit by the Office of the Auditor General. The activities to be managed by BRD, and BDF shall be subject to external audit by Private Audit Firms that are regulated by the Institute of Certified Public Accountants of Rwanda. The ToR for the Private Auditors shall be acceptable to the World Bank/AIIB. The audit reports and management letters will be submitted to the World Bank within 6 months after the financial reporting year-end. The audit reports will be publicly disclosed in accordance with the World Bank's Access to Information Policy. Upon receipt of the audit reports, each of the implementing/reporting agencies will be expected to prepare an action plan to address the audit findings. Follow up on the implementation of audit recommendations will be conducted as part of regular World Bank FM supervision missions and quarterly review of IFRs.

6.9 Progress Reporting

The project implementing agencies (MINECOFIN, BRD and BDF) will each prepare and submit Quarterly Implementation Status report to the World Bank within 45 days after the end of the quarter. BRD and BDF will submit their part of the progress report to MINECOFIN within 30 days so that MINECOFIN can consolidate and submit to the World Bank ultimately within 45 days.

7 PROJECT IMPLEMENTATION

7.1 Institutional and Implementation Arrangements

MINECOFIN will be responsible for the day-to-day management and implementation of the project. The Chief Economist of MINECOFIN will lead the technical committee, while the Project Coordination Team will ensure leadership at the day-to-day level.

The Single Project Implementation Unit (SPIU) of the MINECOFIN will be used to manage implementation of the project activities. MINECOFIN has experience in managing donor-funded projects. SPIU will perform fiduciary (financial management and procurement).

7.2 Fiduciary

7.2.1 Financial Management

For the activities being carried out by MINECOFIN, all fiduciary functions for the project, including procurement, FM and disbursement, will be carried out by the SPIU. The MINECOFIN SPIU is experienced in Development Partners financed projects (EU, UNDP, UNICEF, PFM Basket Fund and World Bank financed PFM Reforms Project) and is adequately staffed with one Financial Manager (ACCA) overseeing two accountants and one financial management specialist who are pursuing CPA. The SPIU has experience applying the World Bank fiduciary rules.

The MINECOFIN has adequate financial management capacity. The GoR public financial management law and regulations are acceptable and will apply to the project financial management. It will be complemented by the World Bank disbursement guideline and the harmonized financial report template developed for World Bank financed project. The MINECOFIN Single Project Implementation Unit is experienced in Development Partners financed projects (EU, UNDP, UNICEF, PFM Basket Fund and World Bank financed PFM Reforms Project) and is adequately staffed with one Financial Manager (ACCA) overseeing two accountants and one financial management specialist who are pursuing CPA.

7.2.2 Procurement

Procurement for the proposed project will be carried out in accordance with the 'World Bank Procurement Regulations for Borrowers under Investment Project Financing', dated July 1, 2016, hereafter referred to as 'Procurement Regulations'. The project will be subject to the World Bank's Anticorruption Guidelines, dated July 1, 2016.

As per the requirement of the Procurement Regulations, a Project Procurement Strategy for Development (PPSD) sets out the selection methods to be followed by the borrower during project implementation in the procurement of goods, works, and non-consulting and consulting services financed by the World Bank. The underlying Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

The proposed project will use Systematic Tracking of Exchanges in Procurement (STEP), a planning and tracking system that will provide data on procurement activities, establish benchmarks, monitor delays, and measure procurement performance.

7.2.3 Staffing

The SPIU is staffed with qualified and experienced accountants composed of one Financial Manager, ACCA holder, one Financial Specialist, CPFMA holder, and two accountants pursuing CPA. These staff are experienced in Development Partners financed project. The FM staff have managed EU, UNDP financed project and the World Bank financed project.

7.2.4 Planning and Budgeting

The project will comply with the GoR planning and budgeting processes guided by the Organic law on State Finances and Property (2013) and Ministerial Order on Financial Regulations (2016). The

SPIU will prepare the MTEF, annual plan and budget, with the disbursement forecast in coordination with the MINECOFIN planning and budgeting Department. The budget shall be consistent with the Procurement plan. The planning and budgeting documents alongside with the disbursement forecast shall be communicated to the World Bank for review and advice before inclusion in the state budget and enactment by the Parliament. This will mitigate the risk of unreliable budget widely noticed due to inadequate coordination with the World Bank during the planning and budgeting process.

The project expenditures in the budget report is classified following the economic classification for the monthly reporting to the MINECOFIN: current expenditure, including employee compensation costs, payments of goods and services. Nevertheless, a reclassification per project components and disbursement categories shall be done in the budget execution report to be sent to the World Bank to meet with the need to monitor the project via these line items. A comprehensive analysis of budget performance indicator with detailed corrective action shall be included in the budget performance report.

7.2.5 Accounting Arrangements

The project will comply with the GoR accounting policies, modified accrual basis of International Public Sector Accounting Standard, that is considered acceptable. Once accrual IPSAS is effective, the project accounting and financial reporting will comply with accrual accounting.

An Integrated Financial Management Information System (SMART-IFMS) rolled out by MINECOFIN is in use at all MDAs. The project will be managed via the Smart IFMIS from planning, budgeting, accounting and reporting and integrated into the Smart IFMIS not later one month after the project effectiveness.

Financial Reporting

The SPIU will prepare monthly financial report as per the GoR requirement but a Quarter report will be submitted to the World Bank within 45 days after the end of the calendar Quarter and shall include:

a. Revenues and expenditures statement
b. Financial Position statement,
c. Cash flow statement
d. Designated account (DA) activity statement.
e. Budget execution report
f. Notes on accounting policies, and annex

The annual financial statements template is the same for the periodic financial report and prepared in accordance with the GoR accounting policies, modified IPSAS cash basis. The financial report and annual financial statement will be revised once accrual accounting becomes effective.

7.2.6 Internal Control and Internal Audit

The GoR PFM regulation provides a clear segregation of duties between the Chief Budget Manager, the accountant and the Internal auditor and describes well procedures applied to budgeting, accounting and reporting chain. The Internal control environment is characterized by low risk of collusion. The World Bank disbursement guideline will complement the existing GoR Public Financial Management law, regulations, and procedures.

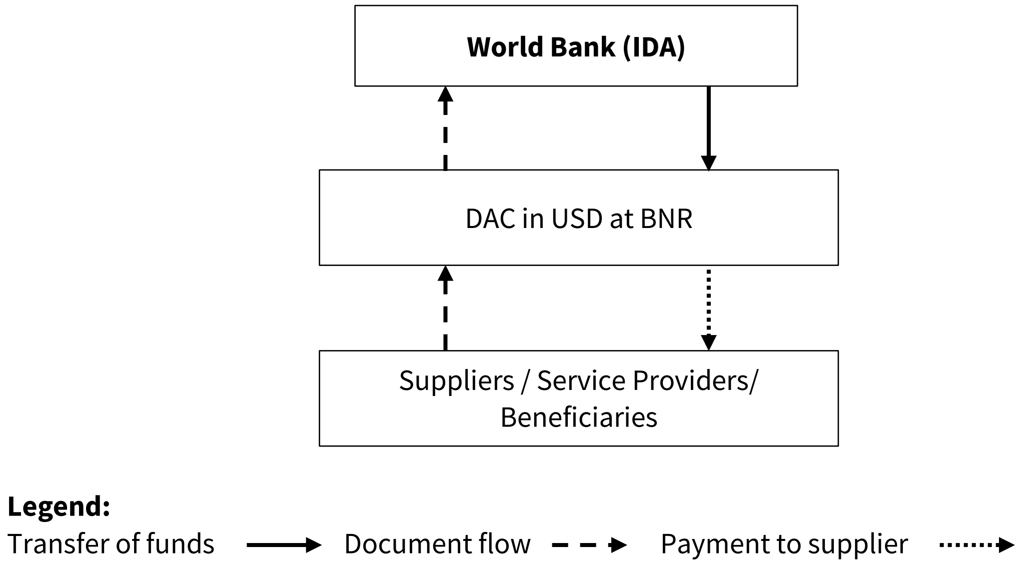
The MINECOFIN internal audit is adequately staffed and is using a risk based internal audit methodology. Internal audit regulatory framework is based on internal and best practices. The alignment of Internal audit three years plan and annual plan with identified risk is area of improvement. The internal audit function is mostly focused on financial audit and shall also emphasize more on performance and value for money audit. This move will require an enhanced capacity building supported by appropriate level of financing. The awareness of the risk profile of the World Bank supported project is low or moderate resulting in adequate 3 years plan and annual audit plan. An induction training of key risk areas of World Bank financed project shall be organized to the attention of the Internal audit function.

7.2.7 External Audit

There is a well-established Supreme Audit Institution (SAI) called the Office of the Auditor General (OAG) mandated for the external audit of the Government revenues and expenditures and which provides external audit for World Bank supported projects. The audits are undertaken in accordance with International Standards on Auditing od Supreme Audit Institution (ISSAI). The annual audited financial statement of the project shall be prepared and submitted to the World Bank within 6 months after the end of the fiscal year (end December). The audit report should be inclusive of a management letter (opinion on compliance) setting out any internal control deficiencies or noncompliance with laws, regulations, financial agreement or performance or value for money standards.

7.3 Disbursements

The flow of funds arrangement chart is below. Funds will flow from the World Bank and AIIB to Designated Accounts for each institution held at the National Bank of Rwanda which will then be transferred to their respective Project Accounts in RWF using the IFR based method of disbursement. The request of funds shall be made via client connection and signed by the signatories appointed by the GoR. The DA ceiling is flexible and based on 6 months cash flow need. The cash flow forecast shall be based on reliable budget and work plan estimates. The four methods of disbursement are: Advance, Reimbursement, Direct payment and special commitment.



Payment to the suppliers/service providers/beneficiaries will be made in FRW following the prevailing exchange rate on the date of disbursement.

8 MONITORING AND EVALUATION

The implementing agencies will evaluate progress through monitoring the agreed results indicators and the PCT will report them to the World Bank. The PCT will continuously monitor the PDO and intermediate results indicators listed in the agreed Results Framework (World Bank PAD Section VII and AIIB Project Document Annex 10) and report them to the World Bank/AIIB on a quarterly and semi-annual basis. The PCT will coordinate the support from the implementing agencies to collect necessary information from PFIs and beneficiary enterprises. In addition, the financial performance of BRD and BDF will be monitored through independent auditors' reports. In the case of BRD, the report will include a separate management letter confirming adherence to prudential norms established by BNR. A dedicated M&E specialist within the PCT will be responsible for overall coordination of data collection and reporting among PIUs. BDF will provide additional evidence for meeting the PBCs, which will be verified via an audit desk review by the World Bank upon submission of supporting documents.

9 ENVIRONMENTAL AND SOCIAL SAFEGUARDS

9.1 Introduction

The Systematic Operations Risk Rating Tool (SORT) has ranked Environmental and Social risk of AFIRR project to be substantial and triggers all Environmental and Social Standards (ESSs) of the World Bank, except ESS7 (Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities). The applicable ESSs include assessment and management of environmental and social risks and impacts (ESS1), labour and working conditions (ESS2), resource efficiency and pollution prevention and management (ESS3), community health and safety (ESS4); land acquisition, restrictions on land use and involuntary resettlement (ESS5); biodiversity conservation and sustainable management of living natural resources (ESS6); cultural heritage (ESS8); financial intermediaries (ESS9) and stakeholder engagement and information disclosure (ESS10). In compliance with the above ESSs, the Project prepared the Environmental and Social Commitment Plan (ESCP), Stakeholder Engagement Plan (SEP), Labour Management Plan (LMP), Environmental and Social Management Frameworks (ESMF) in addition to the Environmental and Social Management System (ESMS) of each implementing entity (BRD and BDF).

The above standalone documents provide guidance on the management of E&S impacts and risks. The documents will be cleared by World Bank and published on BRD, BDF and MINECOFIN websites.

9.2 Safeguards Objectives

The main objectives of the ESSs under AFIRR project are to:

a. Outline the mitigating/enhancing, monitoring and institutional measures required to prevent, minimize or compensate for adverse E&S impacts and/or to enhance the sub-project beneficial impacts;
b. Address capacity development requirements to strengthen the project E&S capacities, if necessary;
c. Bring the project into compliance with applicable national and World Bank E&S safeguards regulations

9.3 Implementation Arrangement

The AFIRR project activities will be implemented by BRD and BDF under the coordination of MINECOFIN through its Project Coordination Team (PCT). The latter will also coordinate the implementation and monitoring of E&S safeguards tools prepared for the project. In case of any revision of safeguards tool, it shall liaise with both BRD and BDF and World Bank/AIIB.

While BRD and BDF will plan and oversee the implementation of E&S activities under its scope and provide reports on regular basis, MINECOFIN shall provide guidance and monitor the implementation and compliance with safeguards activities by BRD and BDF. It may conduct supervision spot checks of some subprojects per PFIs and direct lending sub-projects to ensure the compliance with national and World Bank ESSs by AFIRR project. To strengthen E&S risk management under the project, the E&S Coordinator to be based at MINECOFIN will coordinate E&S risk management across the two PIUs.

MINECOFIN will be responsible for convening relevant counterparts and coordinating the project's activities through a Project Coordination Team (PCT). The PCT will be established by MINECOFIN with adequate resources and facilitation and remain throughout the Project implementation. The key staff holding such qualifications and under ToR acceptable to the World Bank, such staff to include but not limited to:

- a Project Coordinator,
- a Monitoring & Evaluation (M&E) Specialist,
- an Environmental and Social (E&S) Coordinator,
- a Financial Management Specialist,
- a Procurement Specialist.

The latter two positions will be leveraged from the MINECOFIN SPIU. The PCT should have been established within 30 days from the effectiveness of the loans.

The main tasks of the PCT will include:

- Overall responsibility for day-to-day coordination and management, including direct support to the two implementing agencies (BRD PIU and BDF PIU);
- Project coordination and management;
- Overall project monitoring and evaluation;
- Act as a Secretariat to the steering committee;
- Consolidation reports from two PIUs and submit to World Bank/AIIB on quarterly basis.

The PCT will continuously monitor the PDO and intermediate results indicators listed in the Results Framework (Annex 10) and report them to the World Bank on a quarterly and semi-annual basis. The PCT will coordinate the support from the implementing agencies to collect necessary information from PFIs and beneficiary enterprises. In addition, the financial performance of BRD and BDF will be monitored through independent auditors' reports.

9.4 Monitoring and reporting

The E&S safeguard activities will be implemented by sub-borrowers and regularly monitored by their respective PFIs and implementing entities under the MINECOFIN leadership. The lead agency will also perform spots checks to assess the compliance with E&S requirements by each implementing agency and provide relevant technical support where necessary. It may also carry out an E&S due diligence and produce a report.

Both BRD and BDF will prepare bi-annual reports on the E&S performance of its financed activities and submit to MINECOFIN for review and compilation. MINECOFIN will share the compiled E&S progress reports with World Bank on bi-annual basis. It shall immediately report the emergency situations to World Bank not later than 48 hours after taking knowledge on the occurrence of the incident.

9.5 Grievance Redress Mechanism

The purpose of a grievance mechanism is to establish a way for affected individuals, groups or communities to communicate their enquiries, concerns or formal complaints and help in the resolutions. The grievance mechanism will address affected persons' concerns and complaints promptly, using an understandable and transparent process that is gender responsive, culturally appropriate, and readily accessible to all segments of the affected parties.

BRD, BDF and PFIs will ensure that workers from projects directly financed or from sub-borrowers, as well as potentially affected parties, are well informed and clearly understand the contents of the Grievance Redress Mechanism (GRM) throughout the implementation and operation of projects. Potentially affected parties will be informed about available entry points for submitting their concerns, inquiries, complaints or seeking clarifications to the Project and to Finances Institution.

Complaints shall be made through various channels including, but not limited to, face-to-face meetings, written complaints, phone hotlines, telephone conversations, e-mail, information booths, and open-door policies. The project level process will not impede affected persons' access to the legal system. If a complainant is not satisfied with the resolutions at all project levels, he/she will be allowed to take the matter to the appropriate legal or judicial authority as per the Rwandan laws.

The Grievance Redress Committee (GRC) will be established at:

a. **MINECOFIN level** to handle grievances associated with AFIRR activities if unresolved from BRD and BDF level, if any.
b. **BRD and BDF level** to manage the overall E&S risk related to their respective sub-component. The GRC will collect unresolved grievance from their respective PFIs or direct borrowers. The grievance will be addressed if their concerns are not addressed at sub-project level GRC.
c. **PFI level** to manage the E&S risk that may arise from the activity of respective clients/borrowers financed through AFIRR. The GRC will collect grievance from their borrowers (MSMEs and large enterprises).
d. **Sub-project level** to manage the sub-project related E&S risks. The GRC will collect grievance from the people directly/indirectly affected by the particular sub-project. The affected people will have right to escalate their grievance at higher level (PFI and or BRD/BDF level GRCs) if sub-project fails to adequately address their grievances.

10 PROCUREMENT

The borrower as well as contractors, suppliers and consultants shall follow the highest standards of ethics during procurement and execution of contracts financed under this Project. Procurement under this project is managed by SPIU-MINECOFIN and approved by the Chief Budget Manager.

The pre-requisite for staff to handle project procurement will be attending procurement training on "Procurement in Projects financed by World Bank following World Bank Procurement Regulations, July 2016"

In addition to overall responsibility of procurement activities, the SPIU-MINECOFIN will:

a. Ensure compliance as per the Procurement Regulations;
b. Prepare the Project Procurement Strategy for Development (PPSD) and Procurement Plan for First 18 Months followed by revised plan at least annually;
c. Review the Procurement Plan for procurement submit for World Bank's clearance through STEP;
d. Ensure that consistent and correct methods of procurement as specified in the Financing Agreements, Loan Agreement and as per procedures outlined in Procurement Manual are consistently followed throughout the process including consistent use of bidding documents agreed with World Bank;
e. Ensure mitigation measures agreed with World Bank are duly implemented from time to time;
f. Finalize technical specifications in consultation with domain expert for goods and terms of references for consulting services respectively and preparation of bid documents;
g. Maintain records of all procurement related complaints received and their disposal;

h. Collect, collate all procurement related information for review by World Bank and its auditors;
i. Seek World Bank No Objection for all Prior Review cases and wherever required as per the World Bank's regulations or Procurement Plan.

10.1 Procurement Regulations

Procurement is regulated by the Law No. 05/13 of Feb 2013 and its associated regulations regarding public procurement at all levels of Government. The Rwanda Public Procurement Authority (RPPA), established under the Law No. 63 of 2007, is responsible for oversight of public procurement at central and local government levels. The Procurement Law also establishes the institutional arrangement at a procuring entity level, including; (i) Chief Budget Manager; (ii) Procurement Unit (PU); and (iii) Internal Tender Committee (ITC). The Chief Budget Manager (Executive Secretary at Districts) approves reports of the ITC and signs the contract on behalf of the procuring entity.

Procurement of works, goods, consulting and non-consulting services shall be done in accordance with the World Bank's (1) "Guidelines for Procurement of Goods, Works and Non-Consulting Services under IBRD Loans, and IDA Credits and Grant by the World Bank Borrowers" July 2014; (2) Guidelines for Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by the World Bank Borrowers" July 2014; (3) "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, (the Anti-Corruption Guidelines)" October 15, 2006, revised in January 2011 and as of July 1, 2016; (4) AIIB's Policy on Prohibited Practices, with respected to the Prohibited Practices (as defined herein) of "Misuse of Resources" and "Theft", to the extent such prohibited Practices are not covered by the Anti-Corruption Guidelines; and (5) with the provisions mentioned in the Financing Agreements and the Loan Agreement. In case of any conflict between the above-mentioned documents and Rwanda Public procurement legal framework, the above-mentioned documents shall prevail.

According to section 1.2 of the World Bank Guidelines, procurement under IBRD Loans and IDA Credits, from July, 2014, the responsibility for the implementation of the project, and therefore for the award and administration of contracts under the project, rests with the borrower.

10.2 Institutional Setup

The procurement units of the implementing agencies will be responsible for implementation of their procurement plans.

10.2.1 MINECOFIN

MINECOFIN has an overall project coordination responsibility. The procurement staff will support the work of the coordinator, as may be required to:

- Prepare and implement the Procurement Plan for works under its respective components;
- Prepare progress reports;
- Monitor procurement planning under the other project entities;
- Approve and transfer consolidated reports to the World Bank.

10.2.2 BRD

BRD will be responsible of Subcomponent 1.2 - Refinancing Credit Line and Subcomponent 1.3 - Working Capital and Investment Credit Line. It will also be responsible for day-to-day project implementation, including project reporting, M&E, FM, procurement, and implementation and monitoring of Environmental and Social Standards (ESS) instruments prepared under the project.

10.2.3 BDF

BDF will lead the implementation of the project components as follows: (a) BDF will implement Subcomponent 1.1 - Micro-businesses Credit Line and Component 2 - Risk-sharing Facility and will also be responsible for day-to-day project implementation, including project reporting, M&E, FM, procurement, and implementation and monitoring of Environmental and Social Standards (ESS) instruments prepared under the project.

10.3 Procurement Process

Procurement for the proposed project will be carried out in accordance with the 'World Bank Procurement Regulations for Borrowers under Investment Project Financing', dated Nov. 2020, hereafter referred to as 'Procurement Regulations'. The project will be subject to the World Bank's Anticorruption Guidelines, dated July 1, 2016 and beneficiary disclosure requirements. The proposed project will use Systematic Tracking of Exchanges in Procurement (STEP), a planning and tracking system that will provide data on procurement activities, establish benchmarks, monitor delays, and measure procurement performance.

10.3.1 Operating costs

Items in support of the operations of project entities (fuel, offices supplies, and consumables) to ensure ERF implementation progress will be procured using government procedures. The annual or quarterly budget shall be reviewed and approved by the World Bank.

10.3.2 Procurement Planning

Procurement methods and consultant selection methods and ToR's, including pre-qualification, estimated costs, prior review requirements and time frame shall be agreed between the borrower and the World Bank.

Para 1.18 of World Bank Guideline for procurement of Goods, Works and Non-Consulting Services and paragraph 1.25 of guideline for selection and employment of Consultants, Jan. 2011 states that as part of the preparation of the project the Borrower shall prepare and before loan negotiations, furnish to the World Bank for its approval, a Procurement Plan acceptable to the World Bank setting forth:

- The particular contracts for the goods, works and/or services required to carry out the project during the initial period of at least 12 months;
- The proposed methods for procurement of such contracts that are permitted under the Financing Agreements and Loan Agreement; and
- The related Bank review procedures.

The Borrower shall annually update the Procurement Plan throughout the duration of the project to reflect the actual project implementation needs and improvements in institutional capacity. The Borrower shall implement the Procurement Plan in the manner in which the World Bank has approved it.

BRD and BDF SPIU will consolidate and submit to MINECOFIN a detailed procurement plan. MINECOFIN shall review and submit the approved plan to the World Bank. Any additions or changes to this plan must receive non-objection from the World Bank and MINECOFIN. A simplified version of the Procurement Plan shall be available in the project's database and on the World Bank external website

10.3.3 Procurement Supervision

Monitoring and evaluation of performance in the procurement process will be carried out through World Bank Team support supervision and post procurement review missions. World Bank will review the procurement procedures, documents, bid evaluations, award recommendations, and the contract to ensure that the process is carried out in accordance with agreed procedures. In the case of major contracts, the documents are reviewed by the World Bank prior to their issue in accordance with the thresholds indicated in the approved procurement plan.

During the first year of project activities, two World Bank implementation support mission will be carried out semi-annually, and thereafter at least annually. During these missions, a selective post review of contracts awarded below the prior review threshold will be carried out.

10.3.4 Procurement Records

Procurement documents should be kept in a systematic and organized manner documenting each step of the procurement process by all the implementing entities. They should also be kept in a safe and secure place, which may also be in a cloud. The implementation of each individual procurement package shall be documented in a separate file or section.

Procurement filing has specific characteristics. Files must be based on the three procurement categories (works, goods, consultant services/training) and document the entire procurement process per contract in each category in an efficient and easily accessible manner (from advertising to contract signature and management.).

All implementing entities must maintain records of each procurement step for future audits. If the procurement records are not available during procurement post review or audit, such procurements shall be declared mis-procurement or ineligible expenditure.

PART 2: BRD PIM

ACCESS TO FINANCE FOR RECOVERY AND RESILIENCE PROJECT
(P175273)
Project Implementation Manual

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ACCESS TO FINANCE FOR RECOVERY AND RESILIENCE PROJECT

Version Control of the Manual

VERSION NAME	LATEST VERSION	SOURCE
01-PIM-AFIRR-20/10/2021	☒	Publicly available on BRD website under Priority Sector/Special Projects/AFIRR

Operating Guidelines

Project Life	: Five (5) years [23 June 2021 – 31 August 2026]
Loan amount	: US$ 197.5 million equivalent (IDA: US$ 97.5 M; AIIB: US$ 100 M)
Grant amount	: US$ 7.5 million equivalent – World Bank
Borrower	: Government of Rwanda (GoR)
Implementing Agency	: Development Bank of Rwanda (BRD)
Interest Rate and commissions:	
World Bank to GoR	: Based on Financing Agreements (6926-RW, 6927-RW, D852-RW)
AIIB to GoR	: Based on Loan Agreement (L0483A)
GoR to BRD	: Based on Subsidiary Financing Agreement
BRD to PFIs	: Up to 3.5% p.a., including fees and commissions except commitment fees of 1% p.a.
BRD to Businesses Enterprises	: Up to 8.0% p.a., excluding fees and commissions
PFI to Business Enterprises	: Up to 8.0% p.a. excluding fees and other commissions
Maturity Period:	
World Bank to GoR	: Based on Financing Agreements
AIIB to GoR	: Based on Loan Agreement
GoR to BRD	: Based on Subsidiary Financing Agreement
BRD to PFIs	: Up to 15 years including a grace period of up to 3 years
PFI to Business Enterprises	: Up to 15 years including a grace period of up to 3 years
BRD to Business Enterprises	: Up to 15 years including a grace period of up to 3 years
Financing amount:	
BRD to PFIs	: Each eligible PFI will receive a minimum tranche of FRW 50 million to a maximum ceiling as determined based on the PFI asset over the total asset of all eligible PFIs (latest financial year). Actual financing amount is subject to the capacity of PFI and the quality of Capital Adequacy Ratio. Eligible PFI will receive subsidiary financing on a first come first serve basis.
PFI to Business Enterprises BRD to Business Enterprises	: Up to FRW 5 billion per sub-project. Maximum FRW 10 billion per borrower and related parties with >50% shareholding. Except otherwise approved by BRD and the World Bank/AIIB.
Fund allocation Investment LoC	: 60% of the facility available on investment credit (US$ 150 million) line will be allocated for SME businesses. 40% will be allocated to large enterprises sub-projects.
Repayment:	
GoR to the World Bank/AIIB/AIIB	: Based on Financing Agreement
PFIs to BRD	: Based on Participating Agreement
Businesses Enterprise to BRD	: Based on Sub-Loan Agreement
Business Enterprise to PFIs	: Based on Sub-Loan Agreement
Exchange Risk	: GoR will bear all foreign exchange risk
Compliance with BNR Prudential Regulations and World Bank/AIIB	: All participating PFIs will have to comply with BNR prudential regulations.

11 PROJECT COMPONENTS RELATED TO BRD

The Project will provide US$ 257.5 million for the establishment and operation of credit and risk sharing facilities to support the ERF program established by the GoR. The project will also help mobilize US$ 40 million in private capital financing through requirements for private sector counterparty financing and through the provision of Partial Credit Guarantees (PCG).

The Project design includes targeted TA to MSMEs, PFIs, and implementing agencies (BRD and BDF) to address existing constraints for increasing ERF uptake through institutional strengthening and capacity building. The Project components are listed in Table 1 below.

Table 1: Project Components and funding

COMPONENTS (IN US$, MILLIONS)	IMPLEMENTING AGENCY	TOTAL
Component 1 - Liquidity and Recovery Facility		**205.5**
• **Sub-component 1.1: Microbusinesses Credit Line**	BDF	8.0
• **Sub-component 1.2: Refinancing Credit Line**	BRD	37.5
• **Sub-component 1.3: Working Capital and Investment Credit Line**	BRD	160.0
Component 2 - Risk Sharing Facility		**40.0**
• **Sub-component 2.1: Partial Credit Guarantee Scheme**	BDF	30.0
• **Subcomponent 2.2: Bridge Lending Window**	BDF	10.0
Component 3 - Institutional Strengthening and Implementation Support		**12.0**
• **Sub-component 3.1: Strengthening firms' capability for resilience and recovery**	BDF/BRD	3.8
• **Sub-component 3.2: Institutional Strengthening**	BDF/BRD	3.8
• **Sub-component 3.3: Project management and Monitoring**	BDF/BRD/ MINECOFIN	4.4
Component 4 - Contingency Emergency Response Component	**NA**	**-**
TOTAL PROJECT COST		**257.5**

11.1 Component 1 – Liquidity and Recovery Facility (US$ 205.5 million)

The objective of this component is to alleviate the short and long-term financial constraints of firms and help them adjust their business to the post-COVID-19 scenario.

The facility will provide lines of credit (LoC) to PFIs for on-lending to highly impacted and/or strategically important sectors and firms, and thus enable business continuity.

BRD will only implement sub-component 1.2 Refinancing Credit Line (US$ 37.5 million) and sub-component 1.3 Working Capital (US$ 10 million) and Investment Credit Line (US$ 150 million).

11.1.1 Sub-component 1.2: Refinancing Credit Line (US$ 37.5 million)

The Refinancing LoC will support the refinancing of existing loans in priority sectors determined by the GoR via MINECOFIN. This LoC will be executed by BRD which will lend (both direct lending and on-lending) to BEs to support them through refinancing of existing financial commitments to ease hardship caused by the COVID-19 crisis. Target beneficiaries include all eligible firms in selected priority sectors affected by the pandemic and specifically designated by the GoR.

All the BEs requesting for refinancing LoC should comply with the eligibility criteria that will be set by the GoR and will be included in the PIM when available. The refinancing window will be implemented following the procedures presented in Annex 12.

The BEs affected by the COVID-19 will receive this refinancing facility in order to restructure their existing loan at an interest rate of maximum 5% per annum, including fees and commissions.

The eligible financing should have been extended within a reasonable period and the proposal for refinancing has to demonstrate the additionality of AFIRR funding. Eligible sectors and any financing amount cap for the refinancing will be determined by the GoR trough MINECOFIN.

The BEs eligible for refinancing will cover maximum 35% of the existing loan amount. The remaining 65% of the outstanding loan amount will remain under the existing financing conditions of PFI/BRD.

11.1.2 Sub-component 1.3: Working Capital (US$ 10 million) and Investment LoC (US$ 150 million)

The objective of this facility is to support investments in Rwanda to facilitate economic recovery and jobs through the provision of long-term sources of funding. It is expected to enable increased investments and exports regionally and globally and/or substituting imports with local production, including supporting jobs.

This sub-component allows for LoCs to support investment financing for fixed assets acquisition, operational expenditure related to building scale and working capital to high growth potential investments that will sustainably drive economic recovery.

The Working Capital window will be separated from the Investment window and stand out as an independent window. All the business sectors directly or indirectly affected by the COVID-19 will be eligible for Working Capital LoC. Some sectors that are not eligible in Investment window can access funds from Working Capital window. The Working Capital LoC will help BEs pay their employees and their operating/fixed costs during the low demand period as well as to jumpstart the production/operations after the economic slowdown caused by the pandemic are lifted.

BEs eligible under Investment window may receive working capital finance under the same window while the Working Capital window will be open to other sectors not listed in the priority sectors.

The objective of BRD acting as retailer will be to fill in market financing gaps where private PFIs are not yet providing needed finance, particularly in light of heightened perceived risks amid the pandemic. The facility will target new venture, existing venture and expansion-ready firms that seek expansion capital. The support will be open to all economic sectors with priority given to the sectors as presented in Annex 6. BRD list of excluded activities/businesses as presented in Annex 9 will not be eligible for this AFIRR facility.

Target beneficiaries will include large companies and SMEs, who will receive financing either directly, or via LoC extended to PFIs.

- 65% of the facility available in this sub-component will be channeled through on-lending via PFIs and 35% of the facility available in this sub-component will be lent by BRD directly to BE.
- 60% of the investment LoC will be directed to SMEs financing and 40% to finance large BEs.

11.2 Component 3 – Institutional Strengthening and Implementation Support (US$ 7.5 million)

The project will allocate a grant to BRD for goods, non-consulting services and consulting services, training, and operating costs for the implementation of Sub-component 1.2 and Sub-component 1.3. The grant is allocated to three subcomponents as follows;

11.2.1 Sub-component 3.1: Strengthening Firms' Capability for Resilience and Recovery

The objective of this sub-component is to provide tailored TA and BDS to:

- equip the BE with the right financial knowledge, book-keeping and business management practices to successfully benefit from the project;
- enhance digital literacy and access so that businesses can reap the benefit of digital technologies to access new markets and financial services and to diversify the distribution channel for their products and services;
- support the recovery and growth of high growth oriented large, medium and small enterprises, with high potential for domestic, regional and international markets such as manufacturing and agro-processing.

TA support under this sub-component includes also support for awareness campaigns on the ERF2/AFIRR, BE value chain assessment, technology assessment, strengthening environmental safeguards compliance to help firms adapt to the evolving economic realities and diversify and expand their operations. Beneficiaries will be offered as a comprehensive business development package that include standardized trainings, one to one coaching and mentoring as well as targeted technical assessment/ advice.

In parallel, BRD will provide technical advisory support to growth oriented and high potential firms that plan to expand their operations or diversify their products and services in sectors which have domestic, regional and international market links.

To ensure intended private sector beneficiaries have full information on the project and the BDS, BRD will have an effective awareness creation and communications campaign to the public and the business community, including transparency on the eligibility and criteria for accessing the support.

Women's business associations and other organizations will be leveraged as partners for this outreach to better communicate with the target segment.

11.2.2 Sub-component 3.2: Institutional Strengthening

The success of the project is heavily dependent on the capacity of the implementing agencies. This sub-component intends to enhance the capacity and efficiency of BRD operations. The upgraded operations will support the expansion of access to finance for BE beyond the project. The TA will also be provided to private sector, PFIs and government stakeholders.

The project will provide international expertise and cover other TA costs including, workshops, and training programs.

In addition, funds will be provided to implementing agencies to strengthen their operating systems, Internal capacity, operating procedures and systems to enable the effective launch and implementation of the Project.

11.2.3 Sub-component 3.3: Project Management and Monitoring

This sub-component will ensure smooth implementation of the project. The sub-component will support all aspects of project management related to:

- project staffing and related capacity building;
- Procurement and Financial Management (FM);
- environmental and social framework (ESF) implementation and compliance;
- monitoring and evaluation (M&E);
- equipment and operating costs;
- communication and knowledge management for BRD, BDF, and MINECOFIN.

11.3 Component 4 – Contingency Emergency Response Component

This component is a contingency component that can be activated in case of a relevant emergency event. Following an eligible crisis or emergency, the GoR may request the World Bank to re-allocate World Bank project funds to support an emergency response. Once triggered, this component will draw from the then uncommitted World Bank loan resources under the project to address the emergency. Definition of eligible emergency and list of activities will be developed in consultation with the GoR.

12 FINANCING ARRANGEMENTS BETWEEN WORLD BANK/AIIB AND MINECOFIN

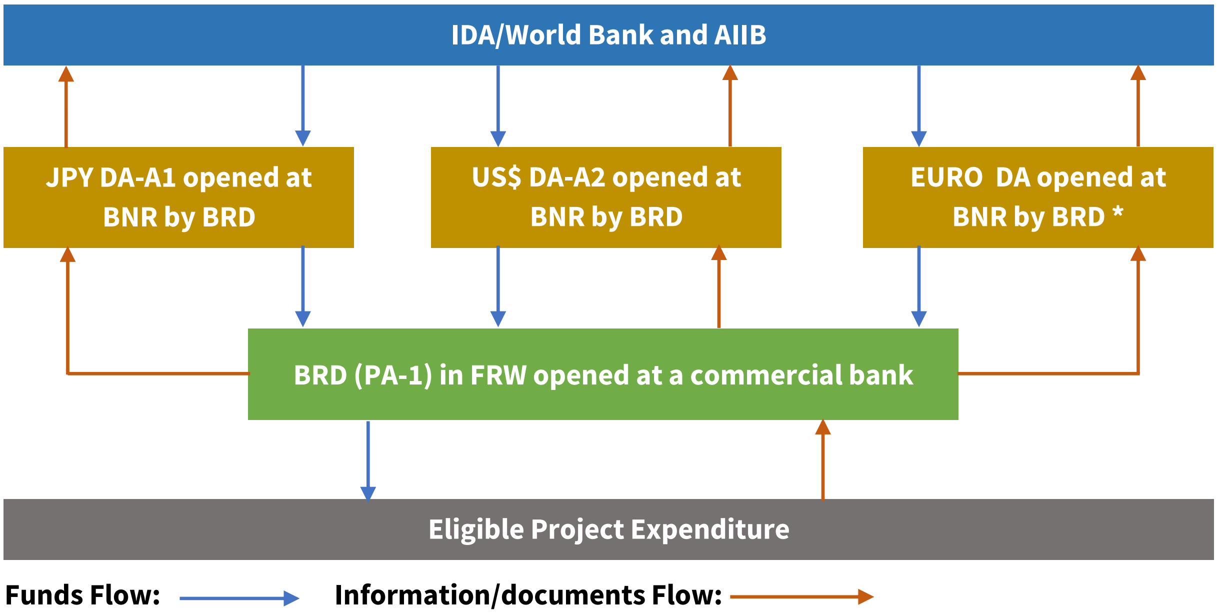
12.1 Funding arrangements[2]

The World Bank and MINECOFIN have signed two Financing Agreements for credit equivalent to Japanese Yen (JPY) 13,609,500,000 and a grant equivalent to Special Drawing Rights (SDR) 17,500,000. The World Bank and MINECOFIN have signed another Grant Agreement equivalent to US$ 7,500,000 from Global Risk Financing Facility. AIIB has signed a Loan Agreement with MINECOFIN for the loan equivalent to Euro 83,000,000.

[2] The financial management of this project will be guided by the Disbursement Guideline for Investment Project Financing, February 2017 prepared by the World Bank. The guideline will be used for all World Bank-financed projects.

The World Bank and AIIB have signed Project Agreements (PAs) with BRD for project implementation and management support. BRD will carry out the components 1.2, 1.3, 3.1(ii), 3.2 (i) and 3.3(i) of the Project in accordance with the provisions of the Schedule I of the Financing Agreement, Schedule 2 of the Loan Agreement, and the Schedule to the Project Agreement between AIIB and BRD, and will provide promptly as needed, the funds, facilities, services and other resources required for its respective part of the project.

Figure 2: Project Design and Flow of Funds*



*The Euro DA will be created once WB and AIIB sign the co-lenders agreement.

The financing arrangement of the project will be governed by the above-mentioned agreements.

12.2 Disbursement terms and conditions

Upon the project effectiveness and fulfilment of the disbursement conditions, funds accompanied by a six-month cash forecast will flow from the World Bank and AIIB into respective JPY, Euro[3] and US$ denominated Designated Accounts (DAs) maintained by BRD at the BNR. BRD will maintain throughout the project those DAs in JYP, Euro, and US$.

Based on the World Bank's transfer request, AIIB will transfer loan proceeds to the respective DA opened for AIIB proceeds. Subsequent replenishments of the DA will be based on the submission of applications for withdrawals accompanied by Interim Financial Reports (IFRs). For Investment LoC (Sub-component 1.3), the disbursement will follow a ratio of 37.5 (World Bank) and 62.5 (AIIB).

The DAs will receive funds advanced by the World Bank and AIIB as per the Disbursement Letter.

The flow of funds arrangement chart is as shown in Figure 2. Funds will flow, in different currencies (JPY, US$ and Euro), from World Bank and AIIB into the respective foreign currency DAs maintained by BRD at BNR. The funds will be disbursed by World Bank and AIIB using the IFR-based method of disbursement. The request of funds shall be made by BRD through World Bank Client Connection

[3] The DA in Euro shall be opened once the co-lender agreement between AIIB and World Bank is signed.

System and signed by the signatories appointed by BRD. The signatories' signed letter will be submitted to the World Bank along with the DAs. The DA ceiling is flexible and is based on six-month cash flow need for all the Components. The cash flow forecast shall be based on reliable budget and work plan estimates.

12.3 Disbursement methods

The project will use the Interim Financial Reporting method as per the World Bank Disbursement Letter. However, the project may also use direct payments, transaction-based statement of expenditure method, reimbursement and special commitments depending on the case. The AIIB disbursements are contingent on a request from World Bank, and in accordance with the Disbursement and Financial Information Letter.

By the Advance Disbursement method, advance withdrawals from World Bank and AIIB will be deposited into the DA in foreign currency maintained by BRD at BNR based on a projected cash flow forecast for payments to the PFIs and BEs under their respective agreements. BRD will transfer the funds in its local currency Project Account maintained at a commercial bank. The IFR-based method will be used. BRD will forecast the cash flow need for the next six months and prepare the financial report that will support the request of funds and submit them to World Bank. World Bank will review the quality of the report and the soundness of the cash flow forecast before providing the approval of the funds release.

By the Reimbursement method, BRD finances through its own resources' eligible expenditures (loans and TA) and requests reimbursement. The reimbursed funds will flow from World Bank/AIIB to BRD into DAs (in foreign currency) maintained at BNR and into Project Account (in local currency) maintained by BRD at a commercial bank.

12.4 Monitoring and evaluation

MINECOFIN M&E of the project shall be guided by the Financing Agreements and detailed in the MINECOFIN PIM.

13 FINANCING ARRANGEMENTS BETWEEN MINECOFIN AND BRD

13.1 Funding arrangement

MINECOFIN has signed a Subsidiary Financing Agreement (SFA) with BRD (Project Implementing Entity). The required funds to BRD will be disbursed by World Bank and AIIB directly in foreign currency DAs maintained by BRD at BNR. BRD will then transfer the funds in local currency Project Account (PA) maintained at a commercial bank for implementation of Sub-component 1.2, Sub-component 1.3 and Component 3 of the Project. MINECOFIN will take the foreign currency risk. All funding arrangements will be done in accordance with the SFA.

BRD shall maintain, throughout project implementation, a structure, function, responsibilities and staffing acceptable to the World Bank/AIIB and consistent with the requirements under the Legal Agreements.

BRD shall carry out its respective part of the project with due diligence and efficiency, in conformity with appropriate administrative, economic, managerial, financial, environmental, social, labour, health and safety, and technical standards and practices and provide promptly as needed, the facilities, services and other resources required for Sub-component 1.2, Sub-component 1.3, and BRD portion of Component 3 of the Project.

13.2 Disbursement terms and conditions

BRD will open segregated Project Accounts in local currency (FRW), in one of the commercial banks approved by World Bank and AIIB, to receive funds and make payments in FRW, including the project operating costs. The Project Accounts shall maintain all funds relating to Sub-component 1.2, 1.3, and the part of Component 3 implemented by BRD.

Disbursements will follow the IFR-based method. However, the project may also use direct payments, transaction-based on Statement of Expenditure (SoE) method, reimbursement, and special commitments on a case-by-case basis.

Upon effectiveness, BRD will submit to the World Bank/AIIB, a request for withdrawal of funds accompanied by six months' cash forecast. Based on the request, the World Bank and AIIB will transfer the proceeds of the loan/grant to the DA maintained for the Project.

Subsequent disbursements will be replenished based on the same principle on a quarterly basis for estimated expenditures, taking into account the balance on the BRD Project Accounts and the expected sub-financing needs for the next period. Subsequent replenishment of the Project Accounts will be based on the submission of application for withdrawal accompanied by a SoE.

Withdrawals up to an aggregate amount not to exceed 20% of the total IDA credit may be made for loans approved prior to the date of signing the Financing Agreement but on or after December 1, 2020, for Eligible Expenditures.

13.3 Monitoring and evaluation

The achievement of the Project objectives will be measured through indicators summarized in Annex 11. The BRD Monitoring and Evaluation (M&E) specialist will collect and analyse data on implementation progress for all components and activities. The monitoring and evaluation exercise will be conducted on a continuous basis, and the Project Manager/coordinator in BRD will be the primary source of information.

The M&E reports will be framed based on the project Results Framework (both World Bank and AIIB results indicators as presented in Annex 10) agreed upon and will present progress in achieving the key indicators to the World Bank/AIIB on a quarterly basis. BRD will submit the progress report to the World Bank/AIIB. The Results Framework provides a matrix of indicators that will be assessed and the milestones to be achieved during each stage of the implementation period, including the final outcome and intermediate outcome values planned by project completion date for the whole project and for each component.

The reporting provided by BRD will be supplemented by the World Bank's/AIIB's implementation support missions to take place semi-annually, to review the updated results framework submitted by BRD and discuss the progress and deviations with BRD to identify any areas where additional support from World Bank and any other project stakeholder is needed.

The implementation support missions will include a review of BRD portfolios; assessments of project progress against initial target; monitoring the portfolio performance with regards to interest service, pricing, principal repayment, disbursements, etc. These assessments and findings will include follow-up with PFIs and final borrowers (Business Enterprises), including field visits and interviews.

In addition, there will be a midterm (in-depth) review of the Project, proposed at 30 months after effectiveness. Annex 11 provides a detailed M&E Plan including frequency, responsibility, and data source. This review will be carried out in conjunction with World Bank team and support missions, and with the involvement of AIIB.

The first three (3) transactions from BRD to PFI will require a no-objection from the World Bank/AIIB.

BRD will also review the Environmental and Social Due Diligence (ESDD) report of the first one sub-loan prepared by each PFI and share it with World Bank/AIIB for no-objection. The PFIs are not allowed to disburse loans to their client before BRD receives World Bank/AIIB no-objection on the ESDD report or before the World Bank waiver of such that condition, on a case-by-case basis during the transition period.

AIIB's E&S Specialists will jointly review the ESDD report of initial one co-financed sub-project under the Sub-component 1.3 during implementation and will participate with World Bank in its supervision of selected sub-projects, as feasible.

BRD shall submit a quarterly implementation and financial report to the World Bank/AIIB in not more than 45 days after the quarter end.

BRD monitoring and evaluation shall be guided by the SFA signed between BRD and MINECOFIN.

13.4 Repayment terms and conditions

BRD repayments to MINECOFIN shall be guided by the SFA signed between BRD and MINECOFIN.

13.5 Financial management

Financial management is a process which brings together planning, budgeting, accounting, disbursement, financial reporting, internal control, auditing, and the physical performance of the project with the aim of managing project resources properly and achieving the project's development objectives.

BRD maintains or causes to be maintained financial management arrangements that are acceptable to the World Bank/AIIB and that, as part of the overall arrangements in place for implementing the Project, provide reasonable assurance that the proceeds of the loan/grant are used for the purposes for which they are granted, or the payments are made. Financial management arrangements are the planning, budgeting, accounting, internal control, funds flow, financial reporting, and auditing arrangements of the implementing entity responsible for Project implementation.

The AFIRR Financial Management (FM) will rely on the BRD FM system with some amendments to consider World Bank-specific FM requirements on disbursement and financial reporting.

The project will comply with the BRD Finance Policy and Procedure Manual. The BRD PIU will prepare the project's medium-term expenditure framework, annual plan, and budget, with the disbursement forecast in line with the expenditure needs of the project and the budget shall be consistent with the Procurement Plan. The planning and budgeting documents, comprising activities managed under all project components alongside with the disbursement forecast, shall be communicated to World Bank/AIIB for review. The project's expenditures classification according to project components and disbursement categories shall be done in the budget execution report to be sent to World Bank/AIIB in the framework of the project monitoring. A comprehensive analysis of budget performance indicators with detailed corrective actions shall be included in the budget performance report.

Planning and budgeting: The project budget preparation procedures will build on the BRD budgeting policies. Not later than the fourth week of October, each department/business unit prepares its annual budget based on a sound work plan, assumptions, and Procurement Plan. This will require a close collaboration between the Division in Charge of Finance and the Division in Charge of bank operations. The project budget will be included in the BRD overall budget approved by the Board of Directors in December each year. The Annual work plan and budget shall be submitted to the World Bank/AIIB for no-objection. The BRD Medium Term Expenditures Framework will be updated to include the project expenditures.

The approved budget will be monitored on a monthly and quarterly basis by the preparation and analysis of the budget execution report including: (a) budget for the period, and for the year; (b)actual expenditure for the period and to date; (c) future expenditure commitments; and (d) balance of period budget remaining (actual expenditure and commitments together are compared to the period budget).

On a monthly, basis not later than the second week of the month following the month monitored, a meeting between the division of Finance and other divisions/departments shall be held to analyse and explain any slack or override identified and then agree on, document, and report it.

The Division of Finance presents the Budget Monitoring Report to the Asset and Liability Committee monthly by the second week of the month following the month reported. Quarterly, the management presents the consolidated Budget Monitoring Report and measures taken to the Board of Directors before the end of the month following the quarter reported.

Accounting and financial reporting: The project financial records at BRD shall be maintained using BRD core banking system and FM system to manage the project's activities and officially dedicate FM staff to the project. This system will be used throughout the project implementation for transaction recording and reporting. The project will comply with the BRD's accounting policies (International Financial Reporting Standards), which are considered acceptable. The project will use the BRD's ERP to record transactions and produce quarterly and annual financial statements (submitted in the World Bank client connections).

The Division of Finance oversees ensuring that the standards are well applied with the aim of producing reliable financial information for internal monitoring and accountability and providing timely information for decision making to stakeholders.

An Integrated Financial Management Information System (Oracle) is in use and covers all FM cycles (budgeting, accounting, and fixed asset management). Nevertheless, the financial statement is not derived directly from the system without manual retreatments. The project will use the same system to record and manage the financial transactions of the project with a separate financial structure for reporting.

BRD will prepare and submit quarterly Interim Financial Reports (IFRs) to the World Bank which will be used to monitor project financial progress including the rate of budget execution and level of disbursements. The quarterly IFR shall include

- Revenues and expenditures statements;
- Financial position statements;
- Cash flow statements;
- Designated Accounts (DAs) activity statements;
- Project Accounts (PAs) activity statements;
- Budget execution reports; and
- Notes on accounting policies and annexes.

The project's quarterly IFR will be submitted to the World Bank/AIIB directly by BRD, not later than 45 days after the end of the quarter.

Internal control and internal audit: The BRD Finance Policy and Procedure Manual provides a clear segregation of duties between the chief budget manager, accountant, and internal auditor and describes well the procedures applied to budgeting, accounting, and reporting chain. The World Bank's disbursement guidelines will complement the existing BRD regulations and procedures. An induction training of key risk areas of World Bank-financed projects shall be organized for the attention of the internal audit function. The internal audit function shall include the project activities in the annual approved plan and shall produce an Internal Audit report in relation to project activities at least once a year.

The initiation, review, approval, payment, record and documents classification and archive procedures will be according to the procedures as described in the manual. The manual has detailed internal control arrangements including clear segregation of duties in payment processing and internal check mechanisms, payment approval and authorization arrangements and cover all Financial Management cycles.

The Internal Audit function uses risk-based audit approach and the Institute of Internal Audit standards. The function is well staffed with qualified accountants (one Head of Internal Auditor and two Internal Auditors). The project will be included in the internal audit work plan following the said risk-based approach.

To enhance internal control arrangements for the project, the internal audit department of BRD shall conduct annual reviews of project activities and the project internal audit report will be submitted to the Audit Committee for review and decision and to the World Bank/AIIB for information and advice.

An action plan to address the audit findings shall be designed and monitored by the Internal Audit and the Audit Committee.

External audit: The project's annual financial statement external audit will be performed by a private audit firm, that is regulated by the Institute of Certified Public Accountants of Rwanda (ICPAR), acceptable to the World Bank/AIIB according to ToR agreed with World Bank/AIIB. The audits are undertaken in accordance with International Standards on Auditing. The annual audited financial statements of the project shall be prepared and submitted to the World Bank/AIIB within six months after the end of the fiscal year. The preparation of the annual financial statement is the responsibility of BRD. The audit report should be inclusive of a Management Letter setting out any internal control strengths, deficiencies, on noncompliance with laws, regulations, financial agreements, and on performance or value-for-money standards.

In line with the Access to Information Policy, dated July 2010, the project's audited financial statement will be made public by World Bank and BRD is requested to publish the project's audited financial report using largely and easily accessible communication channels such as a website.

PFIs shall submit to the World Bank/AIIB through BRD their annual External Audit reports (prepared by independent auditors acceptable to World Bank/AIIB) as soon as available, but not later than six months after the end of each year, the external audit report, of such scope and in such detail as World Bank/AIIB and BRD would have requested.

13.6 Procurement arrangements

The procurement activities of the project will be implemented by BRD with TA from World Bank. BRD will engage contractors if deemed necessary by signing the Contract for Technical Assistance.

Procurement for Component 3 will be carried out in accordance with the World Bank Procurement Regulations for IPF Borrowers, dated July 1, 2016, and latest revised in November 2020, hereafter referred to as Procurement Regulations and BRD procurement policy. The Project will be subject to the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 and as of July 1, 2016 (World Bank Anticorruption Guidelines) and the PPP with respect to the Prohibited Practices (as defined in the PPP) of "Misuse of Resources" and "Theft", to the extent such Prohibited Practices are not covered by the World Bank Anticorruption Guidelines.

To guide the project procurement activities, a Project Procurement Strategy for Development (PPSD) and a Procurement Plan (PP) were developed and approved by the World Bank/AIIB.

The PP will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity. The PP updates or modifications shall be subject to the World Bank/AIIB's prior review and no-objection before implementation.

BRD will use Systematic Tracking of Exchanges in Procurement (STEP), World Bank procurement planning and tracking system, to prepare, clear, and update the PP and conduct all procurement transactions for the project.

For sub-loans financed under Investment Credit Line of Sub-component 1.3, BRD and PFIs will conduct sub-loan due diligence to be satisfied that the beneficiary will undertake any CAPEX-related procurement in accordance with normal procurement practices of private entities.

The PIU will be in charge of filing and record keeping of the procurement documents.

14 ON-LENDING ARRANGEMENTS BETWEEN BRD AND PFIS

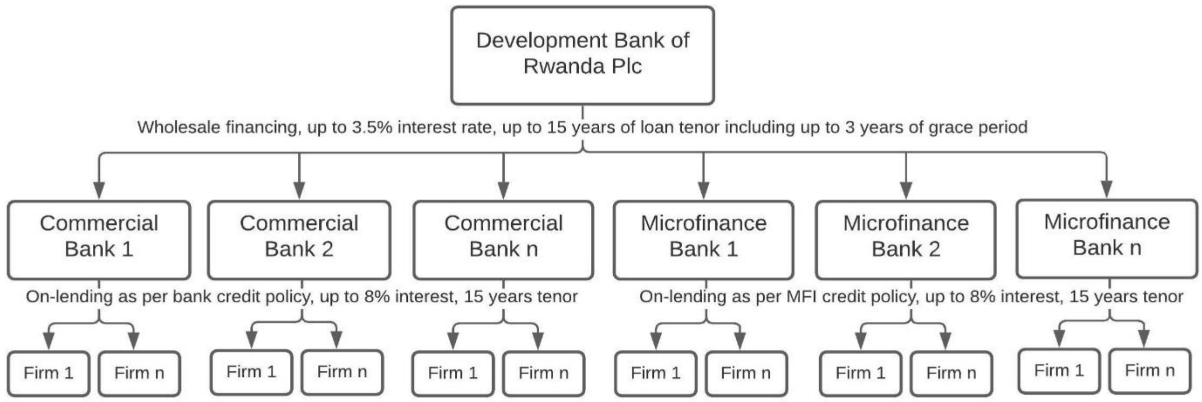
14.1 Funding arrangements

BRD will on-lend AFIRR project funds to PFIs to finance SMEs and Large Enterprises, that complies with eligibility criteria set in this PIM and agreed with the World Bank/AIIB. The on-lending arrangement will be governed by a PFI Participating Agreement to be signed in local currency between BRD and each eligible PFI participating in the project. The Participating Agreement will outline the terms and conditions of the financing, and detail the rights and obligations of both parties, and remedies among other provisions. Participating Agreements between BRD and PFIs will require non objection by the World Bank/AIIB. The standard form of the Participating Agreement is provided on Annex 1.

BRD will sign an addendum to the agreement for any amendment made to the Participating Agreement, including for each additional approved loan amount.

For each disbursement amount, BRD will also sign a Disbursement Agreement with PFIs. The Disbursement Agreement will outline the details of each final borrower that have received a term sheet from the PFI with on-lending amount, tenor, nature of the sub-project/business including identification of funds going to AIIB Group 1 activities, and purpose of the sub-loan such as refinancing, working capital and or investment. The standard template of Disbursement Agreement is available on Annex 2.

Figure 3: BRD PFI on-lending Model



The PFIs will in turn sign Sub-loan Agreement (SLA) with eligible SMEs and large businesses and disburse to them the funds in local currency. The PFIs will use their standard documents while signing the SLA with their clients. Nevertheless, there are certain key provisions and information, which will have to be included in the SLA between the PFI and its client.

Figure 3 illustrates the AFIRR financing process for eligible PFIs (commercial banks and microfinance banks/institutions).

BRD will on-lend 65% of the AFIRR fund (Investment LoC) to PFIs.

The Project also provides **TA support to PFIs** and **Business Development Support (BDS)** to SMEs and large businesses (Sub-component 3).

14.2 PFIs eligibility criteria

14.2.1 Priority sectors

BRD will provide wholesale loans to PFIs (banks and MFIs) who will on-lend to the selected businesses in the priority sectors affected by the pandemic. The AFIRR project is open to all sectors adversely affected by COVID-19, however priority will be given to made in Rwanda manufacturing sectors such as agro-processing, construction materials, and light manufacturing, including their respective value chains. Support for women led businesses, for energy efficient or climate friendly investment will be actively considered. Each PFI is required to follow the priority sector which will be cross validated by BRD at the time of loan disbursement for a particular sub-project. The priority sectors to be financed by the project are:

Table 2: Priority sectors, mainly for Investment LoC

PRIORITY SECTORS	SUB-SECTORS
1. Construction material sector and linked value chains	Production of cement, metal, plastic, paints, stones, recycling, wood and glass, clay bricks, construction of building, real estate activities. This may include new Factories, expansion, re-opening Technical Upgrade, Small processing units, Recycling, Wood Harvesting, forestry and logging, saw milling, extraction of raw materials, engineering design, architecture development.
2. Agro-processing and linked value chains	Staple food, Meat, fishing and aquaculture, Diary-Upstream entities in Fertilizers, Crop Production, Machinery/Mechanization, Irrigation, Seeds multiplication and environment friendly agro-chemicals (complying Rwandan Ministerial Order No. 003/2021 of 08/02/2021 determining the list of chemicals and other polluting substances), Storage/ warehousing, equipment needs such as Dryers, Cooling, Mechanization (harvesting).
3. Textiles and light manufacturing industries and linked value chains	Textile & Garment shoes, green leather, manufacture of beverages, manufacture of paper products, printing and reproduction of recorded media, clothing, linen & sheets, Curtains, Carpets, co-accessories and business involved in the downstream segments such as Material Sourcing, Fiber, Threads, Fiber preparation, yorn weaving/ knitting/ bonding, Dying and Collection Center.
4. Other light manufacturing sub-sectors	Pharmaceuticals, medical consumables, Electronics & Home Appliances, manufacture of electrical equipment, semi-conductor.

The detail list of priority sectors is presented in Annex 6.

14.2.2 PFI qualification and eligibility criteria

The BRD will appraise all interested banks in order to confirm whether they meet the agreed eligibility criteria. The PFIs key eligibility criteria include:

- **Compliance with prudential regulations issued by the BNR** – the bank must be in good standing with the BNR always and observe all other applicable laws and regulations. The PFI compliance to prudential financial metrics shall also be observed[4].
- **Management and good governance** – "fit and proper" owners, directors and managers; adequate Board composition and practices (according to BNR compliance requirements); competent management with adequate managerial autonomy; adequate organization and institutional capacity for its specific risk profile; satisfactory staff capacity and managerial autonomy to carry out its role in the project. Board-approved maturity gap limit assessed periodically. Regular stress testing.
- **Capital adequacy** – compliance with BNR regulations (i.e. minimum capital of 15 percent calculated as the ratio of total capital to total risk weighted assets).
- **Adequate liquidity** – compliance with BNR regulations (i.e. minimum Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) of 100 percent), limits to maturity gaps approved by the Board and periodically measured, and regular stress testing.
- **Adequate profitability** – positive profitability, well diversified income structure and stable earnings trend. Well-managed cost structure.
- **Adequate credit policy** - including internal rules for reliable appraisal of mortgaged properties
- **Operational capacity –** sufficient capacity to serve SME client and participate in the Project; ability to track loans by sector, firm size, and financing type (CAPEX, OPEX, WC).
- **Acceptable risk profile** – effective Asset and Liability Management Committee (ALCO), well-defined policies and written procedures for management of all types of financial risks (liquidity, credit, currency, interest rate and market risk, as well as risks associated with balance sheet and income statement structures); adequate organizational and institutional capacity for its specific risk profile.
- **Adequate collateral** – the PFI should be ready to provide promissory note and or negative pledge or any other collateral acceptable to BRD as part of the collateral support.
- **Adequate asset structure and portfolio quality** – acceptable asset structure including concentration; lending to connected parties; effectiveness of loan underwriting; asset classification and provisioning; level of NPLs and collection practices.
- **Adequate internal audit** – independent internal audit function with well-defined procedures, annual internal audit plans, regular reviews of all key risk management functions and follow-up on issues raised in internal audit reports.
- **Undertake annual external audits** by reputable auditors and according to international auditing standards.
- **Adequate MIS system and well-organized IT support, with adequate internal controls and security policies** – the IT support should be based on relational database management system providing good accounting and bookkeeping, and adequate system-software support for transaction processing and all banking and risk management functions.
- **Allow authorized BRD representatives on a need-to-know basis access to privileged and confidential information** necessary to appraise whether the bank meets and/or continues to meet the agreed qualification criteria.
- **Agree to devote adequate resources to the Project**, to establish and maintain an adequately staffed credit appraisal/management group and credit risk committee, and to join any available Project-related training.

[4] In case a PFI is breach of any prudential metric, a plan to reverse the trend shall be submitted by the PFI to BRD for review and approval by BRD approval authorities subject to the World Bank/AIIB no-objection.

- **Agree to comply with the project's Environmental and social safeguards requirements,** including developing and adopting a comprehensive Environmental and Social Management System (ESMS) to guide the process of carrying out E&S due diligence on final beneficiaries and sub-project appraisals as well as for supervising sub-projects implementation**.**
- **Appropriate Implementation Capacity** –to verify and document agreed lending criteria, maintain files opened for inspection during supervision reviews, and deliver regular reporting as defined by the Participation Agreement
- **Support for energy efficient or climate friendly** capital investment will be actively considered and of great advantage.

The latter three criteria will not be applied for those PFIs requesting for working capital LoC.

PFIs that deviate from the eligibility criteria may be considered for participation wherever a credible commitment to achieve compliance in the form of a time-bound action plan has been prepared by the PFI, submitted to BRD, is deemed satisfactory and receives a World Bank/AIIB no-objection.

14.2.3 Appraisal of PFIs – information needed

During the appraisal of the PFI eligibility and LoC Application, the following information should be provided:

- Externally audited financial statements meeting IFRS standards for at least previous three years, including external audit opinion and recommendations and Management accounts should be provided where deemed necessary for BRD to review the growth prospects in the PFI's financial position.
- A copy of the bank's operating license.
- Names of its significant owners holding more than 10% of shares. Summary information for each significant owner including connected parties – individuals or other companies;
- Organizational chart and governance structure. Names of and brief profiles of senior managers;
- Risk management related committees and bodies;
- Copy of policies, procedures and Standard Operating Procedures (or Operations Manual) related to lending and credit risk management;
- Portfolio distribution per sector and respective asset quality by each sector;
- Summary information on loan classification (all five categories), loan loss provisions, and collateral coverage for substandard, doubtful and loss categories;
- Summary on how the IT system is being managed at the bank;
- Quarterly financial reports.

The above information submitted by the interested PFIs will be checked by BRD investment analysts against the eligibility criteria.

NB: PFIs that have been assessed on other sister projects funded by World Bank and implemented by BRD shall only be required to provide additional information pertaining to the Project to update their due diligence note for approval by BRD and World Bank No-objection. Disbursement requests shall be submitted on a quarterly basis and in line with pipeline (sub-projects that have received a term Sheet form the PFI) presented by the PFI.

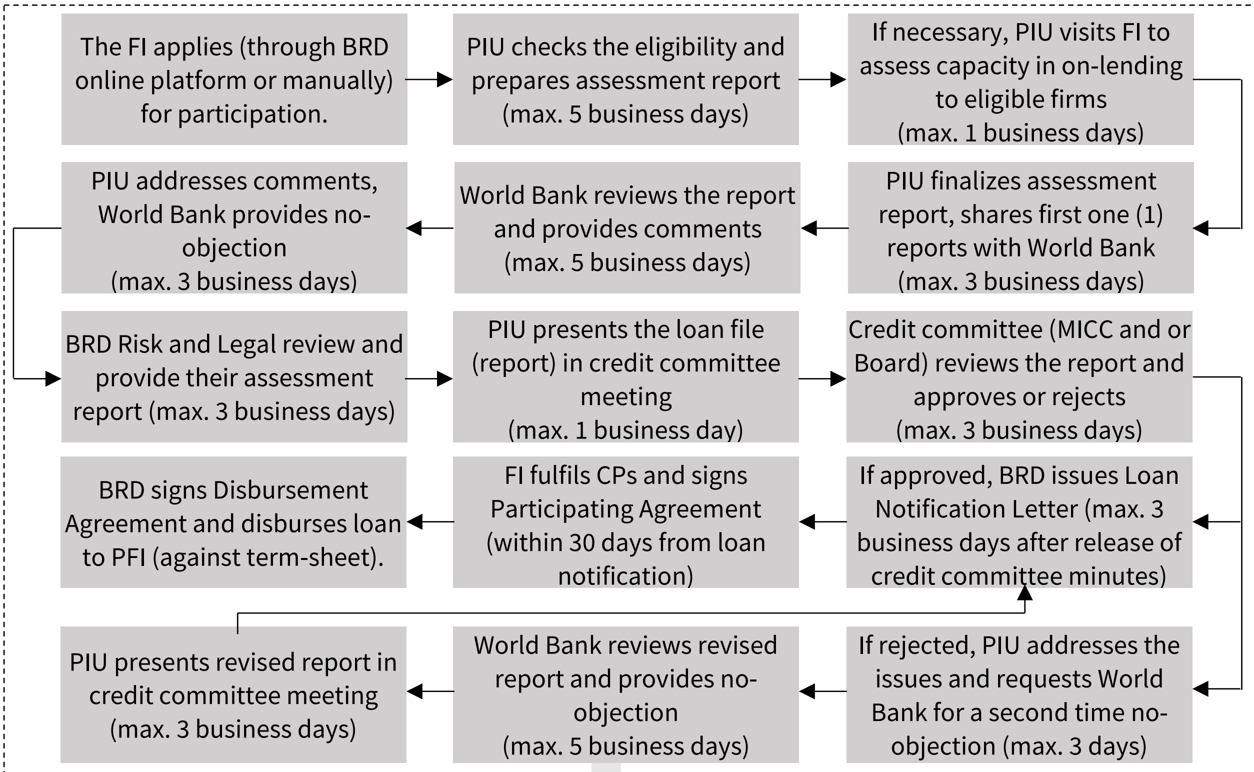
14.2.4 PFIs application and appraisal process

The PFI subsidiary financing will follow the following approval process which will comply with the lending procedures established on the BRD credit policy:

- An application is made by an eligible financial institution for the subsidiary financing. The application from an interested financial institution will be initiated through BRD online platform or manually with supporting documents.
- The investment officer of BRD PIU will check eligibility and prepares assessment report including the ESDD report.
- The investment officer will visit financial institution to assess capacity in on-lending to eligible BEs and confirm the application eligibility to the AFIRR project.
- The investment officer will finalize assessment report and shares it with World Bank/AIIB. The first one (1) assessment report including ESDD report need prior review and no-objection from World Bank.
- World Bank/AIIB reviews the first one report and provides comments. The PIU will address the comments and send back to the World Bank/AIIB for no-objection.
- BRD will share the assessment report with BRD risk and legal unit for their review.
- BRD will present the loan file in MICC and or Board Credit Committee and gets approval.
- BRD issues Loan Notification Letter and finally signs Participating Agreement with PFI.
- BRD signs Disbursement Agreement with PFI before disbursing subsidiary financing amount. The Disbursement Agreement will detail out the on-lending amount the PFI is planning to finance to the eligible BE, their background, and the nature of the business.

The BRD will keep full documentation of each subsidiary financing application process and disbursement arrangement.

Figure 4: PFI lending process



14.2.5 Ongoing PFIs performance criteria

Each participating bank will be required to demonstrate ongoing compliance with the following financial performance indicators throughout its participation in the project. This will be assessed during annual performance appraisal of the PFI. During supervision, the World Bank team jointly with BRD will closely monitor the performance of on-lending through PFI.

Table 3: Ongoing PFI Financial Performance Criteria

STANDARD IN CURRENT REGULATION	LIMITS
Capital Adequacy Ratio	>= 15 percent
Tier Capital	>= 12.5 percent
Leverage ratio	>= 6 percent
Liquidity Ratio	>=20 percent
Liquidity coverage ratio	>=100 percent
Net stable funding ratio	>=100 percent
Loan/Deposits	<= 80 percent
Fixed Assets/Equity	<= 75 percent
Total Loan/Total Equity	<= 80 percent
Non Performing Loan (NPL) ratio	<= 5 percent
Insider Loans/Net Worth	<=25 percent
Total Equity Investments/Equity	<=60 percent
Single Borrowing/Net Worth	<=25 percent
Loan Classification and Provisioning	Substandard 90 - 179 days – 20 percent; Doubtful 180 - 364 days - 50 percent; Loss >= 365 days - 100 percent

All PFIs must always comply with the applicable ongoing eligibility criteria during their participation in the AFIRR project. BRD will do a regular monitoring of PFIs for conformity of its ongoing eligibility criteria throughout AFIRR participation.

If the PFI is not in compliance with one or more of the quantitative parameters, BRD will request the PFI to provide a plan to come into compliance. If the plan is deemed adequate, BRD will proceed with the transaction.

14.2.6 Suspension

If a PFI fails to be compliant with eligibility criteria and all applicable policies and procedures specified in the PIM, its access to financing shall be suspended. The suspension rules are the following:

- If a PFI is found to breach the established eligibility criteria, further disbursements and access to new funding will be suspended until the PFI has fully refunded the financing related to the ineligible loans, if appeared in the BRD list of excluded activities (Annex 9).

- If a PFI utilizes the funds for ineligible expenditures, it shall be asked to refund all PFI-financed amounts that have been improperly used. Failure to address the issue and/or refund by a given deadline will result in suspension.
- If a PFI fails to observe and/or fails to ensure that its clients observe applicable bank policies it shall be asked to rectify the non-compliance within an agreed period. Failure to rectify the non-compliance will result in the PFI refunding all PFI-financed amounts that have been improperly used. Failure to address the issue and/or refund by a given deadline would result in suspension.
- If a PFI fails to make the interest and principal payments on the contracted loans as they fall due for a period longer than 60 days, it shall be asked to reimburse the funds disbursed by a certain deadline. Failure to pay the outstanding interest and principal due by a given deadline would result in the acceleration of maturity of all PFI's debt towards BRD, and the exercise by BRD of the lien or pledge securing the credit obligations.
- If a PFI becomes insolvent or shows negative profitability, it will be given a deadline to improve its capital and/or financial position, or else the PFI-funded credit portfolio will be moved to BRD or another PFI which continues to meet the criteria. Such a PFI will be selected on a competitive basis.
- In cases when it has been reasonably established that a PFI's owners or managers are not "fit and proper", the PFI will be given a deadline to remove such owners or managers and appoint ones that are "fit and proper", or else the PFI-funded credit portfolio will be moved to BRD or another PFI which continues to meet the criteria. Such PFI will be selected on a competitive basis.
- If the PFI fails to maintain the appropriate financial standards and lending practices, with qualified management and staff in adequate numbers, it shall be given a period to rectify such non-compliance. Failure to rectify such non-compliance will result in the suspension of the PFI.
- If the PFI fails to continue to comply with applicable legal and regulatory requirements applicable to its operations, it shall be suspended.

On the suspension of a PFI, BRD will provide the PFI with a suspension notice specifying the reasons for suspension and, in cases when the reason for suspension can be addressed, it may specify potential remedies. The actions needed to address the specific issues that provided the basis for suspension, the enforcement of collaterals/Security Support/Promissory Note and the deadlines by which the actions need to be completed will be defined by BRD in agreement with World Bank and AIIB. The PFI's right to financing may be restored once the problems that have prompted its suspension have been adequately addressed. The appraisal on whether the problems have been addressed will be executed by BRD or by a third party, if so agreed between BRD and the World Bank/AIIB. The decision on removing the suspension shall be made by BRD with a no-objection from World Bank. AIIB will be informed in the event of suspension and/or restoration of a PFI.

14.3 PFIs Loans terms and conditions

14.3.1 General conditions

- The principal amount advanced to a PFI under its respective Participating Agreement shall be denominated in FRW, as well as all applicable fees and interest charges.
- The subsidiary finance amount will be the equivalent to the aggregate amount of sub-loan extended to eligible BEs.
- Subsidiary financing for the PFI will be extended on a first-come, first-served basis.

- Subsidiary financing will be disbursed to eligible sub-projects only when the PFI submits a Disbursement Request to BRD with the copy of term sheet or sub-loan request letter from the client to ensure a realistic pipeline.
- BRD and PFI will sign Disbursement Agreement before disbursing each subsidiary financing request to the PFI.
- Once the approved amount of subsidiary financing has been utilized, the PFI can ask for additional financing.
- The subsidiary finance will be used for on-lending to eligible BEs. The PFI should use subsidiary finance strictly for the intended purpose (refinancing, working capital and/or investment) as stipulated on the Disbursement Agreement. Any deviation on the purpose should be agreed between BRD and PFI with no-objection from World Bank/AIIB.
- The PFIs and their sub-loan projects should comply with Environmental and Social safeguard compliance including Grievance Redress Mechanism as per Section 19.

Table 4: Terms and Conditions of PFI Wholesale Lending[5]

Currency	• Rwandan Francs (FRW)
Amount	• Equivalent to the sum of each sub-loan amount in the pipeline • The amount will be disbursed against the term-sheet or request letter to ensure a realistic pipeline. • The PFIs can request for additional tranche as soon as the previous tranche amount is fully committed.
Maturity	• Loan tenor of up to 15 years including up to 3 years of grace period and aligned with sub-loans maturity.
Repayment	• Quarterly after the expiry of grace period. • Quarterly payment of interest amount charged during grace period
Interest Rate	• Up to 3.5% per annum including fees and commissions except commitment fee not exceeding 1%. •
Credit Risk	• BRD will take the full credit risk on the wholesale loans extended to PFIs. • PFI will take full credit risk on on-lending amount extended to its borrowers. This means, PFI has to pay back the BRD loan even if the borrower fails to repay the loan to PFI

14.3.2 Loan limit

- Each eligible PFI will receive a minimum tranche of FRW 50 million to a maximum ceiling as determined based on the PFI asset over the total asset of all eligible PFIs (latest financial year). Actual financing amount is subject to the capacity of PFI and the quality of Capital Adequacy Ratio. Any provision in the amendment to this limit should be agreed between BRD and World Bank/AIIB.
- For any PFI, the wholesale subsidiary finance amount from BRD will be maximum to the sum of all sub-loan amounts collected from the list of pipelines. The subsidiary finance will be disbursed, on a quarterly basis, to the PFIs on a first come first served basis.
- For refinancing LoC, businesses that have already been financed by a PFI from its own funding sources, where both the BE and eligible expenditure meet the eligibility criteria, will

[5] The terms and conditions apply for both sub-components, working capital and investment.

be refinanced from the AFIRR funds. The refinancing will be provided directly through BRD to specific priority sectors identified by the GoR trough MINECOFIN.

- For working capital and investment LoC, sub-loans that have already been approved/financed by the PFI, where both the BE and eligible expenditure meet the eligibility criteria, may be financed from the AFIRR funds. Such financing facility shall be extended to those sub-projects which have been extended after June 14, 2021.
- Any changes in the maximum limit allocated to a particular PFI should be agreed between BRD and the World Bank/AIIB.

14.3.3 Interest rates and other fees

- BRD will on-lend funds to PFIs at interest rates that consider at minimum BRD's cost of funds, operating costs and an appropriate credit risk margin. BRD to PFI wholesale interest rate shall be no higher than 3.5 percent p.a. (including fees and commission) subject to annual monitoring and adjustment based on market conditions as recommended by BRD and approved by NSC.
- Interest and principal repayments for PFI subsidiary financing would be due monthly, quarterly, or semiannually subject to the terms set forth on the Participating Agreement and or Disbursement Agreement.
- The interest amount generated during the grace period will be paid during grace period or capitalized subject to BRD-PFI negotiation.
- There would be no subsidiary finance prepayment penalties.

14.3.4 Loan tenor

BRD to PFI wholesale lending tenor will be up to 15 years including up to 3 years of grace period, the PFI tenor shall be in alignment with the underling portfolio tenor (loan tenor given to the BE).

14.3.5 Credit risk aspects

- BRD will assume full credit risk for all subsidiary finance amount extended to eligible PFIs. The PFI will bear full credit risk in the sub-loans extended to eligible BEs. BRD does not take the credit risk on the on-lending amount extended by PFI to its borrower. BRD will only bear the credit risk related to the PFI itself.
- The financing from BRD to PFIs will be against negative pledge and or promissory note.
- The subsidiary finance will be provided to eligible PFIs in accordance with BNR prudential regulations and in accordance with BRD's credit policy.

14.4 Loans disbursement arrangements

For each disbursement, BRD also sign a Disbursement Agreement with PFIs. The Disbursement Agreement will outline the details of each Final Borrower that have received a term sheet from the PFI with on-lending amount, tenor, nature of the sub-project/business, and purpose of the sub-loan such as working capital and or investment. The standard template of Disbursement Agreement is available on Annex 2.

Sub-loans to PFIs will be disbursed against the term-sheet or application letter from the potential PFI client or equivalent document issued by the PFI to its potential client and the disbursed amount will be equivalent to a 4 month disbursement pipeline. The PFIs will be free to recycle the draw down amount as long as it utilizes the funds within 6 months, in conformity with the guidelines described in this Project Implementation Manual. PFIs are required to disburse all the funds received from BRD within a period of 6 months; after the 6 months BRD will be free to recall all uncommitted funds with a 30 days of notice period.

Once the PFI has fully disbursed the drawdown tranche received from BRD, the PFI may apply for an additional amount of subsidiary finance. The application for additional tranche will include all required documentation including term-sheet and the details on how the previous tranche has been used (e.g., name of the BE (borrower), purpose of the sub-loan, interest rate, sub-loan amount, tenure, outstanding sub-loan loan, nature of the business). The tranche utilization reporting requirement is provided in Annex 5.

Successful PFIs, which use the facility effectively and have a non-performing loan ratio in compliance with BNR requirements, will be able to receive multiple tranches as proposed by BRD and agreed with World Bank/AIIB.

14.5 Repayment terms and conditions

The PFIs loan repayment terms and condition will be outlined in the Participation Agreement and or Disbursement Agreement signed between the PFI and BRD and shall be aligned with the financed sub-loans. The standard form of the Participating Agreement and Disbursement Agreement are provided on Annex 1 and Annex 2 respectively.

If BRD or the World Bank or AIIB determine at any time that any payment was not made for an eligible expenditure and/or was made in an amount not eligible and/or was not justified by the evidence furnished to BRD; the PFI, promptly upon notice from BRD:

- provide such additional evidence as BRD may request;
- deposit into the Account specified by BRD an amount equal to the amount that was not eligible or not justified.

14.6 Monitoring and evaluation

The achievement of the Project objectives will be measured through indicators summarized in Annex 10. Monitoring of project implementation progress and results indicators, as well as progress towards achievement of the PDO, will be the responsibility of BRD as well as participating entities (PFIs and BE). The Participating Agreement will incorporate reporting requirements by PFIs throughout the life of the project.

PFIs shall send implementation and financial reports to BRD on a quarterly basis, within 30 days after the quarter ends.

Each time a principal or interest due by BE to any PFI has arrears, or the PFI has classified any sub-loan as non-performing, the PFI shall provide to BRD on a quarterly basis a consolidated report on the performance of such sub-loans, the reason for adverse classification, the subsequent developments, and the updated financial condition of the BE or sub-project. The PFI shall agree to keep the credit history of the BE on file until three years after the AFIRR project has been completed.

PFIs External Audit reports shall be carried out for the project duration in accordance with sound accounting practices. The PFIs shall:

- Have their overall financial statements audited each fiscal year, in accordance with IFRS or applicable national accounting and financial reporting standards, by independent auditors;
- Furnish to BRD and World Bank/AIIB as soon as available, but not later than six months after the end of each year, the external audit report, of such scope and in such detail as World Bank/AIIB and BRD would have requested;
- Furnish to BRD and World Bank/AIIB other information concerning records and accounts and the audit at BRD and World Bank/AIIB request.

15 ON-LENDING ARRANGEMENTS BETWEEN PFIS AND BUSINESS ENTERPRISES

15.1 PFI to Business Enterprises Sub-loan eligibility criteria

15.1.1 Eligibility criteria for BE applying to PFIs

The PFI sub-loans will be extended under the following eligibility criteria:

Table 5: Applicable eligibility criteria, per credit line

ELIGIBILITY CRITERIA		CREDIT LINES		
		Investment	*Working capital*	*Refinancing*
1	BEs in AFIRR eligible sectors and expenditures	✓	X	X
2	Licensed with adequate ownership structure	✓	✓	✓
3	Profitable and creditworthy	X	X	X
4	Adequate funding	✓	X	X
5	Adequate corporate governance	✓	✓	✓
6	Adequate operating, accounting systems and management information and well-organized IT support	✓	X	X
7	Adequate collateral	✓	✓	✓
8	Warranty and after-sales service	✓	X	X
9	Compliance with E&S safeguard practices	✓	✓	✓
10	Quality of debt service capacity	✓	✓	✓
11	Compliance with RRA and RSSB tax clearance	X	✓	✓
12	A business plan demonstrating the proposed investment financial viability and the expected impact of AFIRR LoC	✓	X	X

"✓" means BEs must comply with the eligibility criteria (mandatory). "X" means not mandatory but PFIs/BRD may apply it on a case-by-case basis.

Each participating BE will be required to demonstrate ongoing compliance with those eligibility criteria throughout its participation in the project, for the extended Credit line.

1. **BEs in AFIRR eligible sectors and expenditures:** AFIRR project funds will only be used to finance eligible expenditures (except the list of exclusion described in Annex 9) and eligible

sectors as presented in Annex 6, specifically for the sub-loans under Investment LoC. All financed BEs should completely abide with sub-loan terms and conditions stipulated on the SLA signed with PFI.

2. **Licensed with adequate ownership structure**: BEs should be duly licensed at RDB and shall be fully compliant with all expected legal, statutory, regulatory approvals to conduct business in Rwanda (ie. copy of Memorandum, articles of association, company registration, etc.). BEs must have an ownership, management, and financial structure consistent with the prevailing laws and regulations of the GoR, and not BE on World Bank or AIIB sanctions lists.
3. **Profitable and creditworthy**: The BEs shall currently be in a sound financial condition with a high credit rating/score and a positive ROA. Businesses with existing debt facilities from PFIs or BRD should have a satisfactory credit reference bureau report (CRB) from the National Bank. The BEs operational before COVID-19 should demonstrate that they have been profitable pre-COVID-19 (as at end February 2020).
4. **Adequate funding**: BEs will be required to contribute a minimum of 30 percent of the total project cost as counterpart financing. Businesses should have a defined funding strategy with no obvious gaps or constraints to raise additional funding.
5. **Adequate corporate governance**. BEs should have quality human resources to efficiently carry out operations at the management and other functional levels. The BEs shall provide at minimum the CVs of the boards of directors and Management of the business.
6. **Adequate operating, accounting and management information systems and well-organized IT support**: Businesses should have been providing good accounting, bookkeeping, management reports, and adequate system software support.
7. **Adequate collateral**[6]: Businesses should provide adequate collateral or guarantees for the AFIRR loan as per the PFIs credit/risk policy requirements.
8. **Warranty and after-sales service:** Businesses must have an established and active after-sales service capability.
9. **Compliance with Environmental and Social (E&S) safeguard practices**: The sub-loan will be provided to BEs that comply with the E&S risk screening (Annex 8).
10. **Quality of debt service capacity:** the financed BEs shall have a positive debt-service coverage ratio (DSCR).
11. **Compliance with RRA and RSSB tax clearance:** Where applicable, businesses should present a tax clearance certificate from RRA and RSSB.
12. **A business plan demonstrating the proposed investment financial viability and the expected impact of AFIRR LoC:** The business plan must demonstrate the financial viability of the proposed investment (positive IRR) and its contribution to economic recovery, especially through the number of job created and/or sustained. BEs seeking for working capital and or refinancing credit lines should have in their business plan a comparison demonstrating the negative impact of COVID-19 on their business operations and their planned business recovery plan as a percentage of the pre-COVID-19 turnover of 28 February 2020.

15.1.2 BE application and appraisal process by PFIs

The appraisal process of the interested BE (and his sub-project) will start after the PFI receives a complete set of information. The minimum list of information to be submitted by BE along with the loan request letter are described in Section 16.2.3.

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[6] The collateral does not necessarily mean the physical collateral such as land and equipment. BRD/PFI can extend LoC against a Balance Sheet Financing concept, subject to the appraisal of the loan and capacity of the BE.

The PFI sub-loan to eligible BE will follow the following approval process which will comply the lending procedures established on the PFI credit policy:

- An application is made by an eligible BE for the sub-loan financing. The application from an interested BE will be initiated in consultation with the PFI with all the supporting documents.
- The investment officer of PFI will check eligibility and prepares assessment report.
- The investment officer will visit BE to assess their creditworthiness.
- The investment officer will finalize the report and present at credit committee.
- The credit committee will approve or reject the sub-loan request.
- If approved, the PFI will share notification letter with BE with conditions precedents to sign Sub-loan Agreement (SLA).
- If all conditions are fulfilled by the BE, the PFI will sign SLA and disburse sub-loan as per the agreed disbursement schedule.

The PFI will keep full documentation of each sub-loan financing application process and disbursement arrangement. PFI may need to submit to BRD and or World Bank and AIIB the full details on how the PFI conducted appraisal of a particular BE. World Bank and AIIB may ask to review the documentation and details on the PFI sub-loan financing process at any time, including all required documentation.

15.1.3 BE Loan agreement suspension by PFIs

- If a BE is found to breach the established eligibility criteria, further disbursements and access to new funding will be suspended.
- If BE becomes insolvent, or initiates or is party to any insolvency proceedings as will be defined under the loan agreement, would result in suspension of the BE.
- In cases when it has been reasonably established that BE owners or managers are not "fit and proper", the BE will be given a deadline to remove such owners or managers and appoint ones that are "fit and proper", or else the loan get recalled.
- If It is or becomes unlawful for the BE to continue to participate under project, the BE will be suspended.
- If the BE suspends or ceases to carry on (or threatens to suspend or cease to carry on) all or a material part of its business, it shall be suspended.
- If the BE purposely provides inaccurate or forged information during LoC credit appraisal, it shall be suspended.
- If any litigation, arbitration, administrative, governmental, regulatory or other investigations, proceedings or disputes are commenced or threatened, or any judgment or order of a court, arbitral body or agency is made, in relation to or against the BE or its assets which have or are reasonably likely to have a material impact on its ability to service its loan or continue to participate in the project, the BE will be suspended.

15.2 PFI to Business Enterprises Sub-loan Terms and Conditions

15.2.1 General conditions

PFI to BEs Sub-loan Agreement

- The principal amount advanced from PFI to an eligible BE under its respective SLA shall be denominated in FRW, as well as all applicable fees and interest charges.
- The SLA will specify an on-lending margin adequately commensurate to PFI's costs of these funds, enabling it to carry out its administrative and other obligations. Initially, the interest rate shall be no higher than 8.0% per annum, excluding fees and commissions, and will be subject to adjustment based on market conditions.
- Interest and principal repayments from BE would be due monthly, quarterly, or semiannually subject to the terms set forth on the SLA.
- The financing amount that has been approved by BRD/PFI to BEs after 14th June 2021 will be financed by the Project funds.
- Sub-loan for the BE will be extended on a first-come, first-served basis.
- The sub-loan amount will be extended only when the eligible BE submits a disbursement request letter after fulfilling all the conditions precedents as stipulated on the SLA.
- All BE must comply with the applicable ongoing eligibility criteria during their participation in the AFIRR project at all time. PFI will do a regular monitoring of their clients for conformity of its ongoing eligibility criteria at the AFIRR participation.
- The PFI on-lending to BE will follow a debt-equity ratio of 70% (debt) and 30% (equity). This means BE will be financed under AFIRR project up to a maximum of 70% of the project costs.
- The actual sub-loan amount will be determined based on PFI's credit assessment and the capacity of a particular borrower.
- All BEs must comply with Environmental and Social safeguard compliance including Grievance Redress Mechanism as per Section 19.4.

15.2.2 Loan limit

- **For refinancing LoC**, the sub-loan amount to BEs which meet the eligibility criteria will be indicated by the GoR and included in this PIM when available.
- Maximum 35% of the existing PFI loan amount. The remaining 65% of the outstanding loan amount will remain under the existing financing conditions of PFI.
- **For investment LoC**, the sub-loan amount to BEs which meet the eligibility criteria will be up to FRW 5 billion per sub-project.
- **For working capital LoC**, the maximum sub-loan amount to a BE will be up to FRW 300 million.
- **For blended finance,** the eligible businesses can access 60% of the loan through the blended financing mechanism. The remaining 40% will be financed by PFI using its own capital (under PFI's prevailing interest rate).

15.2.3 Interest Rates and other fees

- **For the refinancing window**, the maximum interest rate from PFIs to BE shall be not higher than 5.0% per annum of the refinanced amount.
- **For the working capital LoC and investment LoC** PFI will on-lend funds to eligible BE at interest rates that take into account at minimum PFI's cost of funds, operating costs and an appropriate credit risk margin.
- The interest rate arrangements will be reviewed/monitored by BRD on an annual basis and may be adjusted subject to the ongoing credit assessment of the BE and market conditions to reflect the appropriate credit risks premium. Such changes on the interest rates will be recommended by BRD and the NSC with no-objection from World Bank/AIIB.

- The interest amount generated during the grace period will be paid during grace period or capitalized subject to the PFI-Be negotiation.
- Repayment penalties and interest will be charged on a declining balance formula.
- **For blended finance,** the PFI will readjust the interest rate by calculating a weighted average rate which is the percentage of the loan at PFI nominal interest rate plus percentage of the loan at interest rate under this project. An example of weighted average interest rate is given below for hypnotical purpose only:
  - *Credit exposure of an eligible business enterprise o/s with PFI: FRW 3 billion*
  - *Existing interest rate: 17%*
  - *% financed by the AFIRR project: 60% of the o/s credit exposure i.e. FRW 1.8 billion*
  - *Interest rate on AFIRR LoC amount: 8%*
  - *Weighted average interest rate: = 11.60%*

In the above example, the PFI shall readjust its interest rate from 17% to 11.60% after 60% of the outstanding credit is financed from the AFIRR Project.

15.2.4 Loan tenor

- **For refinancing and investment LoC**, the maturity of sub-loans will be up to 15 years including up to 3 years of grace period.
- **For working capital LoC**, the maturity of sub-loans will be up to 5 years including up to 1 year grace period.

15.2.5 Credit Risk Aspects

- PFIs will assume full credit risk for all sub-loans extended to the eligible BEs. PFIs loans to BEs will be secured in conformity with each PFI credit/risk policy. The PFIs have to return subsidiary finance amount to BRD without default irrespective of PFI's collection efforts from the BEs.

15.3 Disbursement terms and conditions

Disbursements from PFIs to BE will be done in accordance with the signed SLA and in FRW and on a tranche-based model.

15.4 Repayment terms and conditions

Interest and principal repayments on sub-loan amount would be due monthly or quarterly, depending on the terms of SLA signed between PFI and BE. The interest repayment on sub-loans during grace period may be capitalized or paid monthly/quarterly subject to the terms of SLA signed with the PFI.

If BRD, the World Bank and or AIIB determine at any time that any payment was not made for an eligible expenditure and/or was made in an amount not eligible and/or was not justified by the evidence furnished to BRD; the PFI, or BE shall, promptly upon notice from BRD:

- provide such additional evidence as BRD may request;
- deposit into the Account specified by BRD an amount equal to the amount that was not eligible or not justified.

15.5 Monitoring and evaluation

The achievement of the Project objectives will be measured through indicators summarized in Annex 10. Monitoring of project implementation progress and results indicators, as well as progress towards achievement of the PDO, will be the responsibility of BRD as well as participating entities (PFIs and BEs).

BRD will collect data and reports from participating entities and present progress in achieving the key and intermediate indicators to the World Bank/AIIB on a quarterly basis. The data collection will take place within 30 days after the quarter ends.

Each time a principal or interest due on a PFI sub-loan to the BE has arrears, or the PFI has classified any sub-loan as non-performing, the PFI shall provide to BRD on a quarterly basis a consolidated report on the performance of the said sub-loan, the reason for adverse classification, the subsequent developments, and the updated financial condition of the BE or sub-project. The PFI shall agree to keep the credit history of the BE on file until three years after the AFIRR project has been implemented.

All BEs must always comply with the applicable ongoing eligibility criteria during their participation in the AFIRR project. BRD through M&E Officer will do a regular monitoring of all participating BEs for conformity of its ongoing eligibility criteria at the AFIRR participation.

16 DIRECT LENDING ARRANGEMENTS BETWEEN BRD AND BUSINESS ENTERPRISES

16.1 Funding arrangements

BRD will provide direct lending to SMEs and BEs, as defined in the Annex 6, which comply with eligibility criteria agreed with World Bank/AIIB.

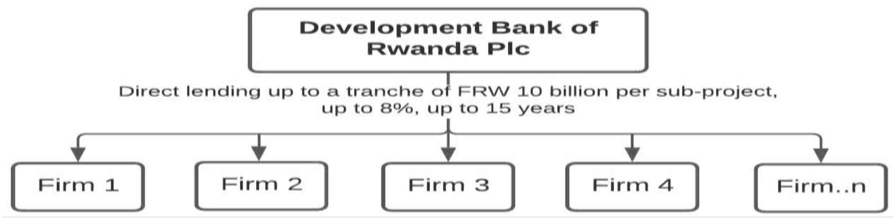
Table 6: Definition of the Business Enterprise

ANNUAL TURNOVER (SALES REVENUE)[7]	TYPE OF THE BUSINESS	SOURCE OF FINANCING
Above FRW 50 million to FRW 500 million	Small enterprise	Sub-component 1.2 and 1.3
Above FRW 500 million to FRW 1 billion	Medium enterprise	Sub-component 1.2 and 1.3
Above FRW 1 billion	Large enterprise	Sub-component 1.2 and 1.3

The direct lending arrangement will be governed by a Sub-Loan Agreement (SLA) to be signed between BRD and each BE and will follow the procedure displayed in Figure 6. The SLA will outline terms and conditions of the financing and detail the rights and obligations of both parties. The standard template of SLA is provided on Annex 3.

[7] For new Business Enterprise, the average annual turnover projected for the next five years will be considered.

Figure 5: Partnership Model for BRD Direct Lending Operations



BRD will provide 35% of AFIRR funds (Investment LoC) directly to the BE:

BRD will also provide **BDS support** to interested Bes through sub-component 3.

16.2 Business Enterprises Eligibility criteria

16.2.1 Priority sectors

The direct lending from BRD to eligible BEs will follow a priority sector listed in Annex 6. This priority sector will be applied primarily for Investment LoC.

16.2.2 Eligibility Criteria for the Business Enterprises Participation

The eligibility of interested BEs will be assessed by BRD Investment Officers following the eligibility criteria mentioned on Section 15.1.1.

16.2.3 Appraisal of BE – information needed

Eligible BE willing to apply for the project facilities shall submit below documents to BRD:

- **Loan request letter**: A loan request letter clearly mentioning the loan amount and the purpose of the credit lines requested. The company should avail a notarized copy of the board decision minute regarding decision to take loan from BRD and the authorized person for loan transaction at the time of signing Sub-loan Agreement. These are the conditions precedents before signing the agreement.
- **5-year Business Plan**: A well designed business plan with detail investment plan helps BRD identify the company's plan, strength and weaknesses and the tentative loan amount required to expand their business operations. The business plan should provide year-on-year growth targets, features of the products and services and its price, projected financials (balance sheet, income statement, cash flow statement), Sources of repayment; Information about the industry, the borrower's position in the industry, and the competitive environment, sales and marketing strategies, business management and operation plan, organizational structure, potential challenges and mitigation measures, the experience in relevant sector, status of the past operations, awards and recognitions, structure of existing board and management, etc. A business plan template is presented in Annex 7.
- **Company registration, renewable and other legal documents**: The documents may include company registration certificate, bylaws, memorandum of article of association, organization management and human resource policies, procurement guideline etc. These documents help BRD understand how the potential borrower is strong in terms of good

governance, internal policies and compliance with the legal requirements. The company has to be locally registered in Rwanda.

- **Self-declaration of multiple borrowing**: A self-declaration regarding the exiting loan amount borrowed internationally/locally from other banks and financial institutions.
- **Audit Reports**: The audit report of last two fiscal years (or the latest available, depending on the operational experience of the firm) showing business turnover, profitability status, balance sheet size etc. to help BRD understand that the company is strong enough in financial soundness. For those firms who are not able to produce an audited report, they can submit unaudited financial statements including management accounts and bank statement if necessary.
- **Bank statements of last one year**: The detail certified copy of the bank statements of at least previous one year. If the company has multiple bank account, the bank statement of all accounts including self-declaration of all bank accounts.
- **Tax clearance certificate**: The certified copy of the last two year's tax clearance certificate (or the latest available, depending on the operational experience of the company) from RRA.
- **Details of the board of directors and management**: The details of the board members and management team including their individual CV and copy of National Identification Card or passport. Individual CV of the key management team if the company is operating as a sole proprietorship where the establishment of the board may not be necessarily required.
- **Resolution copy appointing new board members**: The general assembly report or resolution regarding appointment of new board members. This condition is not mandatory for a sole proprietorship company.
- **Insurance policy**: A comprehensive insurance policy for stock, freight, building and other fixed assets covering all types of risks.
- **Asset valuation report**: The valuation report of entire assets done by the BRD valuator.
- Copies of land titles for properties to be used as collateral for the project financing;
- Environmental impact assessment (with RDB certificate) wherever necessary;
- Other requirements as may be determined and required by the World Bank/AIIB, BRD/PFI's implementing the project during the LoC appraisal.

16.2.4 BE application and appraisal process

BRD's approval process will start when an eligible BE submits the request for application to BRD together with the documents mentioned on Section 16.2.3.

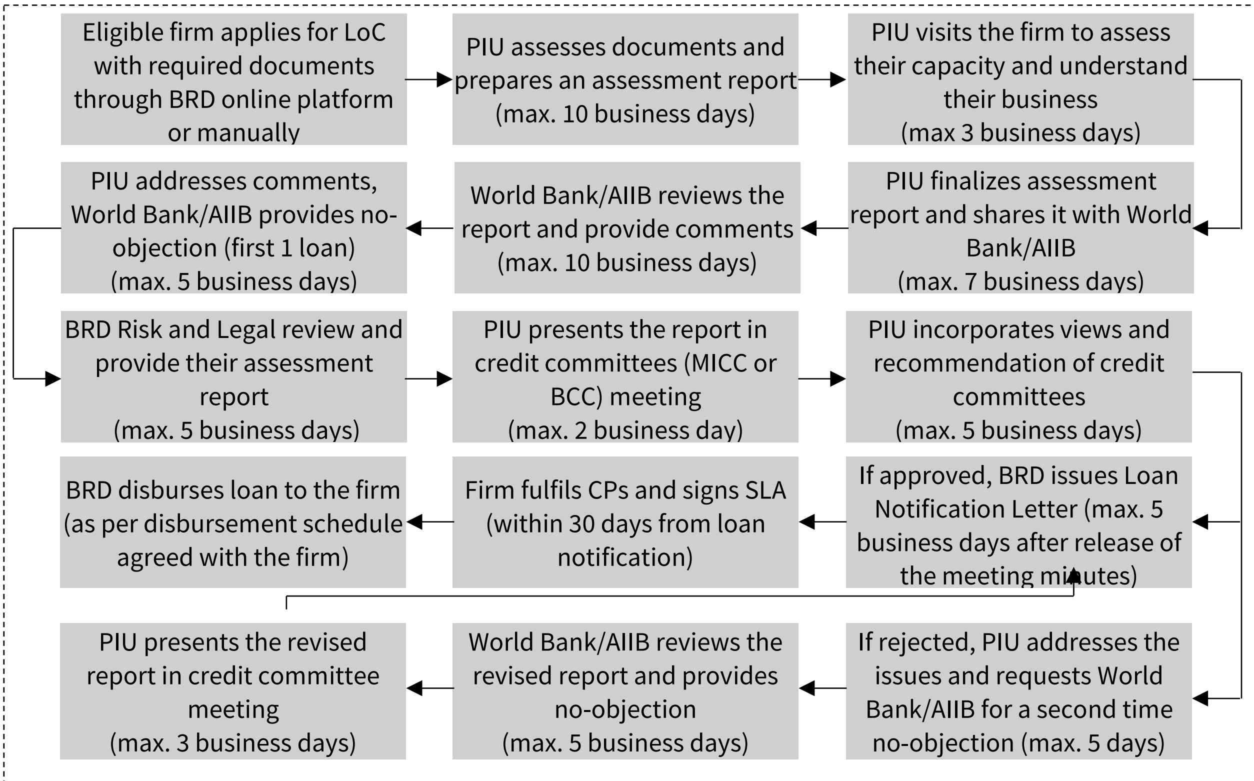
The BRD sub-loan to eligible BE will follow the following approval process which will comply the lending procedures established on the BRD credit policy:

- Eligible BE will apply for sub-loan amount with required documents.
- The investment officer will assess documents and prepare an assessment report.
- The investment officer will visit the BE to assess their capacity, understand the business and confirm the application eligibility to the AFIRR project.
- BRD will finalize assessment report and share with World Bank for no-objection. The first one (1) sub-loan will be reviewed by World Bank.
- BRD will share the assessment report with risk and legal team for their review.
- The PIU will present the report in credit committee (MICC, Board Credit Committee, full Board of Directors) depending on the size of the sub-loan amount.

- If approved, BRD will share notification letter with the BE with conditions precedents to sign SLA.
- BRD will sign SLA with BE and disburse sub-loan amount following the disbursement schedule.

BRD will keep full documentation of each sub-loan financing application process and disbursement arrangement. BRD may need to submit to the World Bank/AIIB the full details on how BRD conducted appraisal of a particular BE. World Bank and AIIB may ask to review the documentation and details on the BRD sub-loan financing process at any time, including all required documentation.

Figure 6: Business Enterprises Direct Lending Procedure



16.2.5 Ongoing BE Performance criteria

An eligible BE shall carry out its operations in accordance with project management practices and in conformity with eligibility criteria established herein the PIM. During supervision, the World Bank team jointly with BRD will closely monitor the loans performance. The BE benefiting from the Project shall ensure the following throughout the implementation of the Project:

- Deploy the received funding to eligible purpose and comply with requirements specified in the PIM and other signed legal documents.
- Shall not contract any other loan without prior knowledge of the lender (BRD or PFI's).
- Continued consistency and validity of the information provided to the BRD for the appraisal of the proposal.
- Always maintain adequate insurance coverage with reputable insurers acceptable to the BRD.

- The BE shall submit to BRD, quarterly progress reports (where deemed necessary) on the implementation of the sub-project, together with management accounts within 30 days after the end of each quarter (where deemed necessary). The Borrower shall also submit its annual financial statement if provided for in the SLA.
- All loans from the shareholders and directors will be subordinated to the AFIRR project financiers.
- All legal fees, and other cost associated with the documentation; execution and administration of any loan facility will be for the account of the BEs.
- The BE shall need to have an Environmental & Social Management plan and continue to carry on and maintain their business in conformity with all Health, Safety and Environment practices in line with its Environmental & Social Management Framework.
- The BE shall ensure compliance with obligations under Sub-loan Agreement; Maintenance of required consents, licenses and authorizations; maintain representations and warranties as of date made and until repayment of all amounts due under the Loan Agreement pertaining to the project.
- The BE shall ensure that there is no material change in nature of business; not to engage in any activities not permitted by its memorandum and Articles of Association and the laws of Rwanda.
- be able to fund, appraise and manage a portfolio of sales and direct and indirect jobs creation.
- have resources (human and financial) to perform adequate customer services after the sale of the goods and services in the domestic, regional, and international markets.
- demonstrate operating status before the COVID-19 crisis and have viable business plans to enable their recovery.

16.2.6 BE Loan agreement Suspension

- If a BE is found to breach the established eligibility criteria, further disbursements and access to new funding will be suspended.
- If BE becomes insolvent, or initiates or is party to any insolvency proceedings as will be defined under the loan agreement, would result in suspension of the BE.
- In cases when it has been reasonably established that BE owners or managers are not "fit and proper", the BE will be given a deadline to remove such owners or managers and appoint ones that are "fit and proper", or else the loan get recalled.
- If It is or becomes unlawful for the BE to continue to participate under project, the BE will be suspended.
- If the BE suspends or ceases to carry on (or threatens to suspend or cease to carry on) all or a material part of its business, it shall be suspended.
- If the BE purposely provides inaccurate or forged information during LoC credit appraisal, it shall be suspended.

If any litigation, arbitration, administrative, governmental, regulatory or other investigations, proceedings or disputes are commenced or threatened, or any judgment or order of a court, arbitral body or agency is made, in relation to or against the BE or its assets which have or are reasonably likely to have a material impact on its ability to service its loan or continue to participate in the project, the BE will be suspended.

16.3 Business Enterprises Loans terms and conditions

16.3.1 General conditions

- BRD direct lending will be activated if :
  - the proposed investment financing has a risk profile that does not fall within the acceptable limit of PFIs (such as start-up businesses);
  - syndicated transactions, where BRD acts as the lead arranger;
  - the BE has already pledged his collaterals with BRD or needs to use BRD partners guarantees funds (ie; FSA, FAGACE, SIDA, etc.).
- Sub-loan for the BE will be extended on a first-come, first-served basis.
- Businesses eligible for BRD direct lending window must have high growth potential to have significant domestic, regional, and international market opportunity and preferably some export growth potential. The BE having existing credit exposure from BRD will have the right to choose one of both options – continue with BRD or through PFIs.
- The LoC will finance only for the eligible expenditures. The BEs should completely abide with terms and conditions stipulated on the SLA signed with BRD.
- All BEs should comply with Environmental and Social safeguard compliance including Grievance Redress Mechanism as described in Section 19.4.

Table 7: Terms and Conditions of lending/on lending per Line of Credit

Working Capital LoC

Size/Annual turnover BE	Interest rate	Tenor	Grace period	Credit guarantee
Small (Turnover ≤ 500 million)	8% for 300Mn	Five years maximum	One year subsumed in the five years	50% - 75%
Medium (Turnover >500 million and ≤ 1 billion	- ERF funds at 8% for any amount ≤ RwF300 million - Blended: ERF participation of RwF300 million at 8% and remaining part at Bank's rate for any amount > RwF300.	5years maximum	One year subsumed in the five years	50% - 75%
Large (Turnover >1 billion)	- Blended: ERF participation of RwF300 million at 8%.	5years maximum	One year subsumed in the five years	

Fees and commission	BRD charge additional fees and commission such as service fee, and management fee. The commitment fee will be charged subject to BRD credit policy.
Credit Risk	BRD will take the full credit risk on the LoC extended to the BE

Eligibility:

BEs will have to demonstrate the negative impact of COVID19 on their operations proven by at least 20% reduction in sales on the recent 12 months' total value of supplies in the VAT declaration submitted to the RRA compared with total sales of 2019; (VAT exempted businesses will use financial statements).

Investment LoC

Size/Annual turnover (actual/projected)	Interest rate	Tenor	Grace period	AFIRR maximum Loan participation	Credit Guarantee
Small (Turnover ≤ 500 million)	8%	Fifteen years maximum	A three-year subsumed	Up to RwF500 million (100% of AFIRR funds) per borrower	Yes (75%)
Medium (Turnover >500 million and ≤ 1 billion	Blended	Fifteen years maximum	A three-year subsumed	60% of the total loan but capped at RwF2 Billion per borrower	Yes (50%)
Large (Turnover >1 billion)	Blended	Fifteen years maximum	A three-year subsumed	60% of the total loan but capped at RwF5 Billion per borrower	Yes (50%)

16.3.2 Loans limits

For the Refinancing window

- The sub-loans will be provided to only to specific sectors indicated by MINECOFIN.
- The BEs that are eligible for refinancing will be covered to a maximum of 35% of the existing loan amount. The remaining 65% of the outstanding loan amount will remain under the existing financing conditions.
- The maximum nominal amount for any loan refinancing will be indicated by the GoR in a separate document.
- The actual sub-loan amount will be determined based on BRD's credit assessment and the capacity of a particular borrower.
- The sub-loans will be denominated in FRW.

For the Investment window:

- The sub-loans will be provided to eligible BEs (or eligible sub-projects) following the list of priority sectors as provided in Table 3.
- For investment LoC, the maximum lending amount for an eligible BE will be up to FRW 5 billion per sub-project.
- The actual sub-loan amount will be determined based on BRD's credit assessment and the capacity of a particular borrower.
- The sub-loans will be denominated in FRW.
- The investment loan amount that has been approved by BRD to Eligible BE after 14th June 2021 will be eligible for financing by the Project.

For the Working Capital window:

- For working capital LoC, the maximum lending amount for an eligible BE will be up to FRW 300 million per sub-project.
- The actual sub-loan amount will be determined based on BRD's credit assessment and the capacity of a particular borrower.
- The sub-loans will be denominated in FRW.

16.3.3 Interest Rates and other fees

- **For the Investment and Working capital windows**, AFIRR participation on lending to the BEs will bear interest rate from 8 percent p.a. (excluding fees and commission). This rate is subject to annual monitoring and adjustment based on market conditions as recommended by BRD and approved by the World Bank/AIIB and the NSC.
- **For the refinancing window**, BRD to BE interest rate shall be not higher than 5.0% per annum on refinanced amount.
- Interest and principal repayments would be due monthly, quarterly, or semiannually subject to the terms set forth on the Sub-loan Agreement.
- The interest amount generated during the grace period will be paid during grace period or capitalized subject to BRD-BE negotiation.
- There would be no sub-loan finance prepayment penalties.

16.3.4 Loan tenor

- **For refinancing and investment LoC**, the maturity of sub-loans will be up to 15 years including up to 3 years of grace period.

- **For working capital LoC**, the maturity of sub-loans will be up to 5 years including up to 1 year grace period.

16.3.5 Credit Risk Aspects

- BRD will assume the full credit risk for all sub-loans directly extended to the eligible BEs.
- The actual sub-loan amount will be subject to BRD's credit assessment and the capacity of the BE.
- The BRD direct lending to BEs will follow a minimum debt-equity ratio of 70 percent (debt) and 30 percent (equity). The firm can inject equity contribution before the BRD credit facility becomes activated or on a pro-rata basis. The BRD investment officer will recommend a suitable process for equity injection depending on the nature of the business and the discussions with the firm.
- If a BE qualifies for commercial LoC financing and requires an additional loan amount for expansion, then BRD takes responsibility to syndicate the loan; the collateral position of each participating lender will be *pari passu*.
- In the event of a default, BRD will go for the recovery process in accordance with the BRD credit policy and recovery guidelines.

16.4 Loans disbursement terms and conditions

The sub-loan amount will be extended only when the eligible BE, that signed an SLA agreement with BRD, submits a disbursement request letter after fulfilling all the conditions precedents as stipulated on the SLA.

16.5 Repayment terms and conditions

Repayment terms and conditions for each BE will be indicated in the SLA signed between BRD and the BE.

- Interest and principal repayments on sub-loan amount would be due monthly or quarterly or, depending on the terms of SLA signed between BRD and BE.

- The interest rate arrangements will be reviewed by BRD from time to time and may be adjusted subject to the ongoing credit assessment of the BE and market conditions to reflect the appropriate credit risks premium. Such changes on the interest rate needs no-objection from World Bank/AIIB.
- The interest repayment on sub-loans during grace period may be capitalized or paid monthly/quarterly subject to the terms of SLA signed with BRD.
- The interest rate for BEs will be same irrespective of their financial closure directly through BRD or on-lending through PFIs.

If BRD or the World Bank or AIIB determine at any time that any payment was not made for an eligible expenditure and/or was made in an amount not eligible and/or was not justified by the evidence furnished to BRD; the PFI, or BE shall, promptly upon notice from BRD:

- provide such additional evidence as BRD may request;
- deposit into the Account specified by BRD an amount equal to the amount that was not eligible or not justified.

16.6 Monitoring and evaluation

All BEs must always comply with the applicable ongoing eligibility criteria during their participation in the AFIRR project. BRD through M&E Officer will do a regular monitoring of all participating BEs for conformity of its ongoing eligibility criteria at the AFIRR participation.

17 PROJECT IMPLEMENTATION ARRANGEMENTS

17.1 Role of World Bank and AIIB during project implementation

The World Bank will be actively involved in supporting project implementation and will:

1. Supervise a-priori the first two sub-financing applications per each PFI. AIIB will be involved in the supervision of the first few sub-loans under the Investment LoC;
2. ***Review and provide no-objection on the credit appraisal report prepared by BRD for the first three (3) PFIs and first one (1) BEs before presenting it in the credit committee (MICC and or Board Credit Committee);***
3. ***Review and provide no-objection on the first one (1) Environmental and Social Due Diligence (ESDD) report conducted by each PFI;***

4. Supervise that World Bank's Environmental & Social Management System has been duly followed;
5. Supervise the project implementation performance, including financial management aspects;
6. Monitor compliance with World Bank's procurement guidelines, and prior-review procurement contracts;
7. Technical advice to PIU in day-to-day operational activities.
8. The sub-financing not requiring prior review and all sub-financing approved by the Credit Committees will be supervised on a sampling basis, a-posteriori;
9. Disburse funds as requested. Review of disbursement management and financial flows;
10. Review performance of the PFI loan portfolio during supervision missions;
11. Conduct site visits to observe progress and meet with beneficiaries and borrowers;
12. Review of the internal audit reports, the annual audited financial statements complemented by the operational and performance information reports, the auditor's report, and remedial actions recommended in the auditor's management letters.
13. Review the performance of BRD to confirm that it continues to satisfy the eligibility criteria and re-appraise, as needed;
14. Discuss and agree with BRD on changes needed in the PIM and discuss/address all issues that might impede effective project implementation or compliance with agreed policies and procedures;
15. Participate in the NSC and PTC meetings as an observer;

17.2 AIIB will be involved in the above roles except first seven roles. BRD Project Implementation Unit (PIU) and its Role

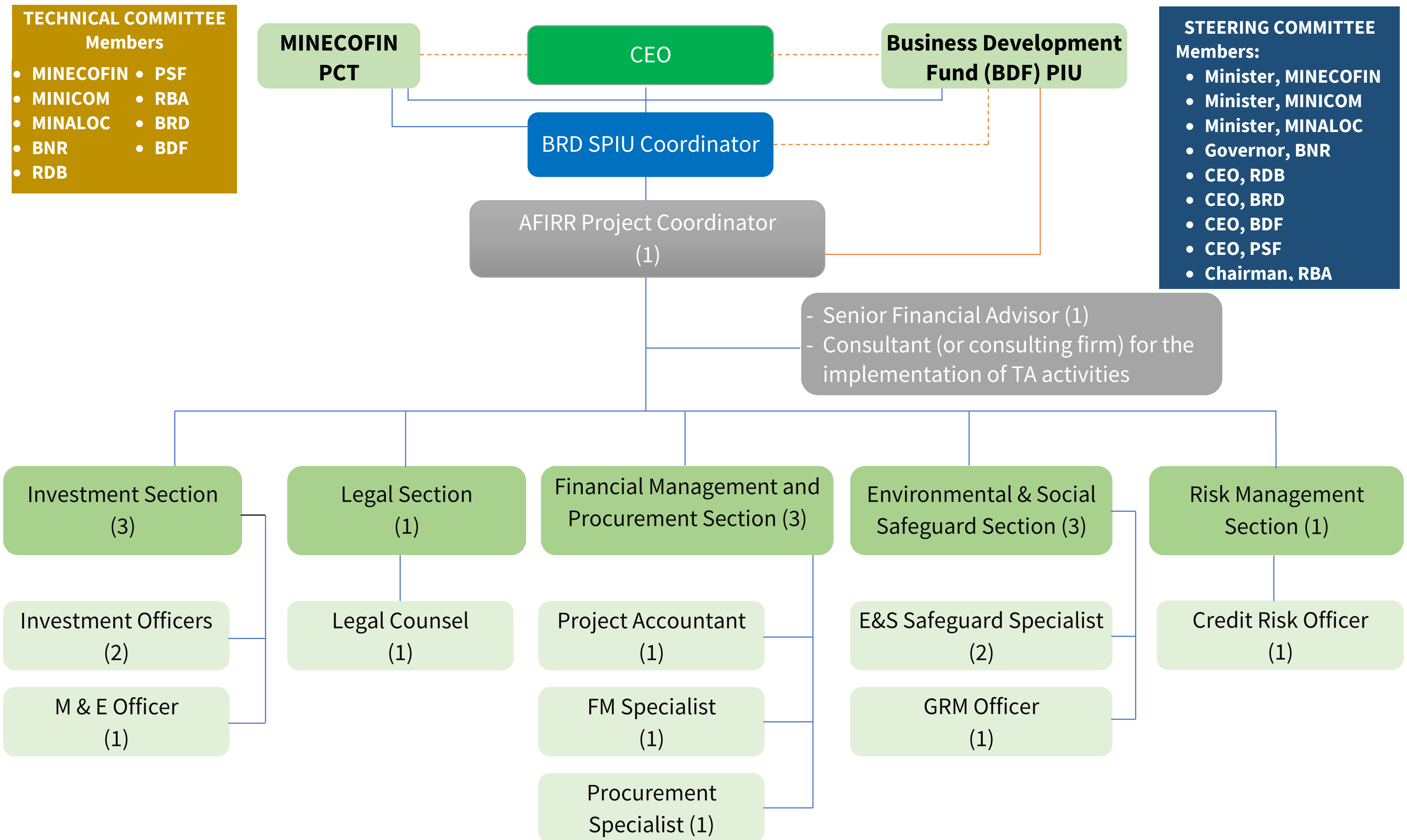
BRD will establish the Project Implementation Unit (PIU) for day-to-day project implementation of the projects' Sub-component 1.2 and Sub-component 1.3. Component 3 of the Project will avail required TA funds to BRD for the implementation of these sub-components. An existing Single Project Implementation Unit (SPIU) in BRD will manage the PIU.

BRD will recruit additional staff required for the PIU who will be fully dedicated to and responsible for day-to-day implementation of the project. The PIU will be fully staffed by leveraging on the existing SPIU staff and hiring additional required staff. The PIU will have (A) a Project Coordinator, (B) two investment officers, (C) a procurement specialist, (D) a financial management specialist, (E) two environmental and social safeguard specialists, (F) a grievance redress officer, (G) a Project accountant, (H) a legal counsel, (I) a credit risk officer, and (J) a M&E officer, all with such qualifications and under terms of reference acceptable to the World Bank/AIIB, and in accordance with provisions of the Procurement Regulations. A Senior Financial Advisor will be recruited for the overall advisory services to the PIU. Figure 7 illustrates the organigram of the PIU staffing.

The PIU is the primary counterpart for the project in BRD. The PIU is responsible for monitoring indicators, supervising the credit lines, direct loans, as well as implementation of the necessary TA required for the successful realization of the project indicators. This includes collecting necessary information from project beneficiaries, assessing and monitoring PFI compliance with the respective eligibility criteria, supervision of withdrawal applications and loan books, and reporting on progress during implementation. BRD PIU management functions include:

1. Project administration: this will be covered by the PIU and functions will include the coordination of the following activities:
    - Maintain relationships with MINECOFIN, BNR, BDF, World Bank/AIIB, relevant stakeholders;
    - Conduct project activities and progress reporting to the Project Coordination Team (PCT);
    - Appraisal of eligibility of the PFIs and BEs.
    - Coordination of the implementation of all project components related to BRD.
    - Maintaining relationships with PFIs and BEs.
    - Signing Participating Agreement with PFIs for financing to the BEs.
    - Signing SLA with BEs for direct financing.
    - Provision of the required TA and BDS to PFIs and BEs. If required, PIU can hire external consultants (consulting firm) for capacity building activities.
    - Provide reports to MINECOFIN, BNR, World Bank/AIIB necessary for project implementation reviews and take a lead in project impact assessments.
    - Ensure integrity of E&S screening, procurement process and financial management.
    - Ensure compliance with World Bank's Anti-Corruption Guidelines and the PPP.

Figure 7: PIU organization structure



To ensure administrative accountability to the donors and technical quality assurance to all operations under the responsibility of BRD; the PIU staff will report administratively to the PIU and SPIU Coordinators and functionally report to their respective departments on the bank's mainstream.

2. Approval and supervision of AFIRR subsidiary finance: Approval and supervision of subsidiary finance will be covered by the MICC/BRD Board Credit Committee/full Board of Directors (depending on the size of the loan). The approval and supervision of subsidiary finance includes:
    - Prepare and disseminate information about the AFIRR credit line, terms and conditions of finance and eligibility criteria to all interested parties, including PFIs, BEs directly benefiting from the credit line as well as RBA, PSF, RDF, etc. indirectly benefiting from the project;
    - Review and approve tranche finance to PFIs for on-lending and blended financing to eligible BEs;
    - Review and approve direct finance to BEs including refinancing;
    - Before approving every new tranche for PFIs and BEs, the PIU will follow the compliance with the PIM such as eligibility criteria, procurement procedures, and the environmental and social safeguard practices.
    - Ensure that funds are used for eligible expenditures. Funding that is not used for eligible expenditures should be suspended;
    - Monitor that PFIs are supervising with due diligence their sub-loans to BEs;
    - Supervise that sub-loans are made to eligible beneficiaries in accordance with agreed criteria specified in this PIM, and that procurement, disbursement, environmental and other requirements are adhered with by all PFIs and BEs;
    - Prepare, in an agreed format, quarterly project implementation report for World Bank. Submit the report to MINECOFIN PCT for compilation with the report from BDF and share with World Bank;
    - Arrange parallel financing with other programs;
    - In cases of parallel financing, BRD may act as administrative agent with responsibility for information sharing and distribution of reports, if so agreed by all parties.

3. Financial management and disbursement: Financial management and disbursements will be covered by the Financial Management and Procurement Section and will include the following:
    - Maintain financial management system in accordance with the World Bank requirements;
    - Maintain a Special Account, prepare withdrawal applications, maintain a local project account, and maintain summary records of the flow of resources;
    - Make disbursements to PFIs, and BEs in a timely manner against appropriate documents (to evidence the use of funds, procurement aspects);
    - Arrange and monitor repayments of interest and principal from all participants. The Finance Unit should inform the MICC promptly on any non-receipt or overdue payments from AFIRR participants (PFIs and BEs) requiring further action;
    - Make arrangements for external audits of the project accounts and records, including the Special Account, the local project accounts and Statements of Expenditures;

- Prepare and submit to the World Bank not later than 45 days after the end of each quarter, interim unaudited financial reports for the project covering the past quarter, in the form and substance satisfactory to the World Bank;
- Prepare other respective quarterly, semi-annual and annual financial management reports;
- Providing guidance on national M&E reporting requirements for energy sector;
- Responsible for adherence to all fiduciary and safeguard requirements of the World Bank.

17.3 Role of Participating Financial Institutions

The participating PFIs will on-lend funds to eligible SME and large enterprises. PFIs will be free to select eligible enterprises on which they are willing to take the credit risk and that fulfills all projects' eligibility criteria. BRD may provide required TA to the PFIs, if such technical facilitation is requested by the PFI. Each PFI shall maintain, with terms of reference satisfactory to BRD and the World Bank/AIIB:

- **A technical unit** responsible for the appraisal of credit applications for eligible BEs. The technical unit will be staffed with qualified personnel, including for environment and social safeguards monitoring, in adequate numbers and provide, promptly as needed, loans, services and other resources required for effective Project implementation.
- **A credit Committee** responsible for evaluation and approval of loan applications for eligible BEs.
- **Adequate policies and procedures** to enable it to appraise and manage the credit risk and to monitor and evaluate, in accordance with indicators acceptable to BRD and the World Bank, the progress in Project implementation and the achievement of Project objectives.

Specific PFIs responsibilities include:

- Request with BRD the wholesale financing and sign Participating Agreement and Disbursement Agreement with BRD;
- Create a pipeline of loan applications and submit it to BRD (quarterly);
- Review of loan applications from both recruit and walk-in enterprises for on-lending;
- Appraisal of eligibility of applicants;
- Appraisal of the financial condition/creditworthiness for each applicant;
- Issuance of term-sheet or any other equivalent document to the applicant;
- Approval of loans by the PFI's Credit Committee;
- Issuance of loan notification letter and signing of appropriate Sub-loan Agreement (SLA) the BE;
- Ensuring that disbursements/payments to clients are made in a timely manner against appropriate documents (to evidence the use of funds);
- Ensuring that the PFI's borrowers follow environmental and social safeguard practices both during the approval process and during implementation, and report on it to BRD on a quarterly basis;
- Enable BRD and World Bank/AIIB to inspect the sub-projects, as needed, as well as any relevant records and documents;
- Ensure that payments of interest and principal are timely made. On due dates of interest and principal, the PFI shall also provide to BRD on a quarterly basis, a written report on the PFI's

sub-loan performance, deviation of payments from agreed terms, and an updated credit history of the final beneficiaries;
- Provide quarterly report to BRD with each final beneficiary level details and progress towards sub-loan repayment, within 30 calendar days after quarter end.
- Prepare all Project implementation reports specified in this PIM on time and with reliable and up to date quality information. Submit to BRD on agreed reporting dates;
- Keep all necessary records and evidence, as required in legal documents and the PIM;
- At BRD and/or World Bank's/AIIB's request, share the project-related financial statements audited by independent auditors acceptable to the World Bank/AIIB, in accordance with consistently applied auditing standards, and promptly furnish the externally audited project related statements to BRD and World Bank/AIIB;
- Submit annual external audits of the PFI's financial statements (prepared by a reputable external auditors and executed according to international auditing standards) to BRD no later than six months after the end of each financial year. BRD shall submit the external audits to the World Bank/AIIB no later than seven days after it has been received from the PFI;
- Prepare and furnish to BRD and World Bank/AIIB all information as they shall reasonably request relating to Project implementation.

17.4 Role of Business Enterprises

BEs will use funds to continue their business and sustain the employment amid the COVID-19 pandemic. The eligible BEs will receive BDS from the Project if requested for such technical facilitation. BEs will use the LoC subject to the financing terms and conditions agreed upon with PFIs/BRD.

Each enterprise shall maintain with terms of reference satisfactory to BRD and World Bank:

- **Technology and service support unit** responsible for the procurement, demand collection, selling of good and services, and after-sale-services support throughout the whole term of SLA with PFI/BRD;
- **Qualified and technically trained staff** responsible for product development, sales and marketing, innovation, pricing, etc. The BE will be staffed with trained personnel in adequate numbers and provide, promptly as needed, services and other resources required for effective Project implementation.
- When applicable, **adequate policies and procedures** to enable it to manage the business, stimulate the demand, and to monitor and evaluate sales in accordance with indicators acceptable to BRD and the World Bank.

Specific BEs responsibilities under the Project include:

- Handling all technical aspects of the business;
- Monitoring of compliance with the eligibility criteria and timelines;
- Taking all the necessary actions to facilitate the implementation of environmental and social safeguard practices of the Project;
- Ensure that all the technical staff are recruited for monitoring and evaluation of environmental and social safeguard risks;

- Ensure that the LoC is utilized for the eligible expenditures;
- All participating BEs are required to have a functioning customer service number in place that has the capacity (including e.g. languages available for customer care) to log complaints and requests for service. The BE technicians or call center agents are required to return the call of the customer within 72 hours after the complaint is registered;
- Provide basic customer awareness to final customers on product and service terms, including: a) basic features and proper handling of the product; b) conditions for warranty/guarantee; c) rights and obligations of the costumer as per the sales contract (if necessary), customer care and options for grievance redressing. It is advised to BEs to provide information (in Kinyarwanda and or English whenever appropriate) containing the basic information of the goods and services such as production date, expiry date, ingredients, etc.
- Signing of appropriate service contracts with distributors of goods and services;
- Ensuring that deliveries to final consumers are made in a timely manner;
- Ensuring that BEs and its responsible parties (wholesaler, retailer, agents) follow environmental and social safeguard practices throughout Project implementation, and in compliance with applicable national regulations and guidelines;
- Enable BRD and the World Bank/AIIB to inspect the Sub-projects, as needed, as well as any relevant records and documents;
- Provide monthly report to the BRD/PFI which should include the details of the credit utilization, achievement towards PDO indicators, compliance with environmental and social safeguard aspects, number of female employees, workforce environment, etc.
- Prepare all Project implementation reports specified in the PIM on time and with good quality information. Submit to BRD/PFI on agreed reporting dates;
- Keep all necessary records and evidences, as required in legal documents and the PIM;
- At BRD and/or World Bank's request, have the project-related financial statements audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards, and promptly furnish the externally audited project related statements to BRD and World Bank;
- Submit annual external audits of financial statements (prepared by reputable external auditors and executed according to auditing standards) to BRD no later than six months after the end of each financial year. BRD shall submit the external audits to the World Bank/AIIB no later than seven days after it has received from the BE.
- Prepare and furnish to BRD and the World Bank all information as BRD or World Bank shall reasonably request relating to Project implementation.

18 TECHNICAL ASSISTANCE

AFIRR project will provide tailor-made technical assistance and business advisory services to BRD, businesses, and PFIs. The main objectives of the TA are to:

- Equip BEs with the right financial knowledge, bookkeeping and business management practices to successfully benefit from support provided under the AFIRR.

- Enhance digital literacy and access so that businesses can reap the benefit of digital technologies to access new markets and financial services and to diversify the distribution channel for their products and services.
- Support the recovery and growth of high potential and growth oriented BEs, in high potential sectors such as manufacturing and agro-processing by providing tailored TA support in value chain assessment, technology assessment, strengthening E&S compliance, etc. to help them adapt the evolving economic realities and diversify their operations.

18.1 Identified needs

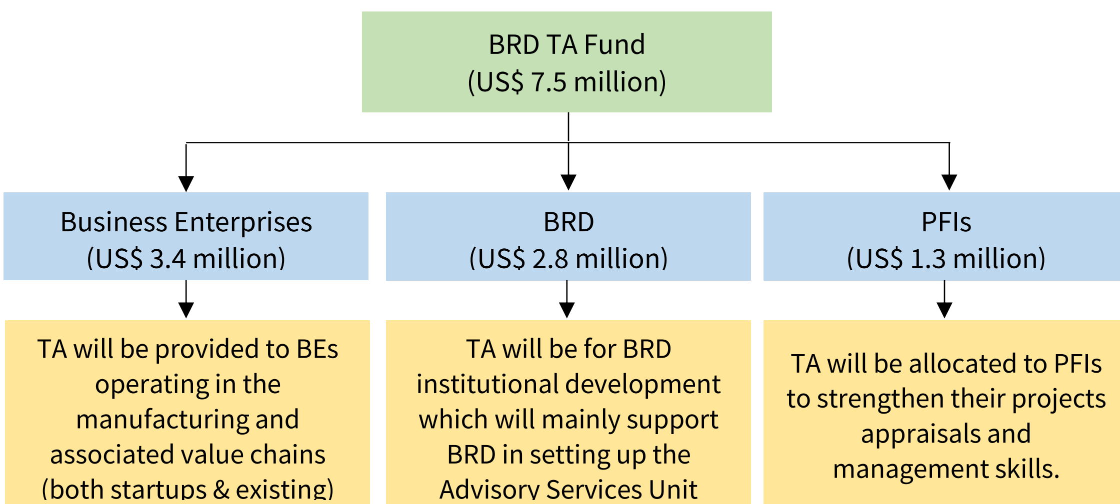
The TA program was designed to respond the following identified needs:

- Lack of effective Internal capacity building programs within companies
- Need to strengthen weak corporate governance structures of companies
- Lack of capable experienced leaders/managers to head projects and businesses
- Lack of quality verified data/information on specific sector of investments to support informed decision-making processes
- Limited skills and capacity to develop project proposals/strategies for funding.
- Limited skills in managing project funds
- Poor reporting practices
- Lack of advanced technologies to meet current needs and trends
- Weaknesses/gaps in various sector value chains
- Limited skills in E&S compliance (within both PFIs and BEs)

18.2 TA Sub-components

TA component will be used in three different sub-components.

Figure 8: Project Technical Assistance Sub-components

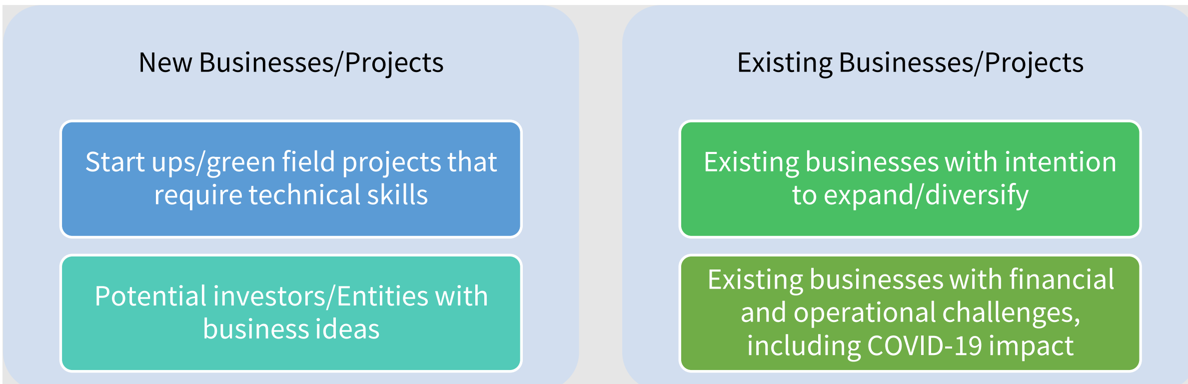


18.3 Type of TA and related gaps

The TA will enable BEs to successfully access the resources and financial support designed under Components 1 and 2 of this Project. The project aims to provide an integrated support to enable BEs to effectively benefit from the financing instruments and recover from the impact of the pandemic and thrive. The project will provide targeted and tailored support to established BEs and PFIs.

18.3.1 TA for Businesses

Below are the different targeted businesses that will be able to benefit from the TA:



Below are the planned types of Technical Assistance that businesses will be expected to benefit from:

NO	TA SCOPE	PROPOSED TYPE OF TA	CAP PER SINGLE PROJECT (FRW)
1	TA – Start ups	Project structuring and documentation/Initial designs of business structure	15,000,000
		Market research and other market related activities supporting the revenue growth	20,000,000
		Feasibility studies, strategic plans	30,000,000
		Review of funding readiness and advise on source of financing	10,000,000
		Consultancies environmental safeguards strengthening	20,000,000
		Consultancies technology assessment and advisory	20,000,000
2	TA - Turnaround (Designed for struggling existing business and those negatively affected by Covid19)	Developing, implementing, and supervising turnaround strategies	50,000,000
		Hiring external expertise to strengthen identified weak areas	40,000,000
		Skills, funding gap assessments. Training and capacity building	20,000,000
		Holistic company financial & operational review	40,000,000
		Strengthening Governance structures	20,000,000
		Value chains assessments	60,000,000
		Consultancies environmental safeguards strengthening	20,000,000
		Consultancies technology assessment and advisory	20,000,000
3	TA - Expansion (Designed for	Review of expansion readiness and advise on the appropriateness of timing	30,000,000

	existing business wishing to expand/diversify)	Training and capacity building	20,000,000
		Develop, review, and facilitate the implementation of expansion strategies	50,000,000
		Consultancies environmental safeguards strengthening	50,000,000
		Consultancies technology assessment and advisory	50,000,000

The proposed types of Technical Assistances and related caps will be regularly reviewed for improvement as the project implementation progresses. This also applies to TA eligibility criteria.

18.3.2 TA for PFIs

PFIs who apply for technical assistance will receive it. This will improve knowledge for PFI staff on important processes but also on procedures linked to sectors they are not familiar with.

Below is the scope and proposed TA that the PFIs will benefit from:

NO	TA SCOPE	PROPOSED TYPE OF TA	CAP PER SINGLE PROJECT (FRW)
1	TA for PFIs capacity building	Training workshops on appraisal process - financial modelling - Credit risk management - projects monitoring and evaluation	50,000,000
		Specialized technical consultancies for some of the projects to be financed	30,000,000

18.3.3 TA for BRD:

This TA will be used for the development of BRD's technical assistance and business advisory unit. As a priority, an embedded consultant will be contracted, whose responsibility is to support the bank in setting up a fully-fledged Business Advisory Services unit. Needs assessments will be carried out in order to identify and respond to the demand effectively. Policies, processes, tools, procedures and pricing will be set up as well as strong client pipelines built accordingly.

18.4 Application process and mode of delivery

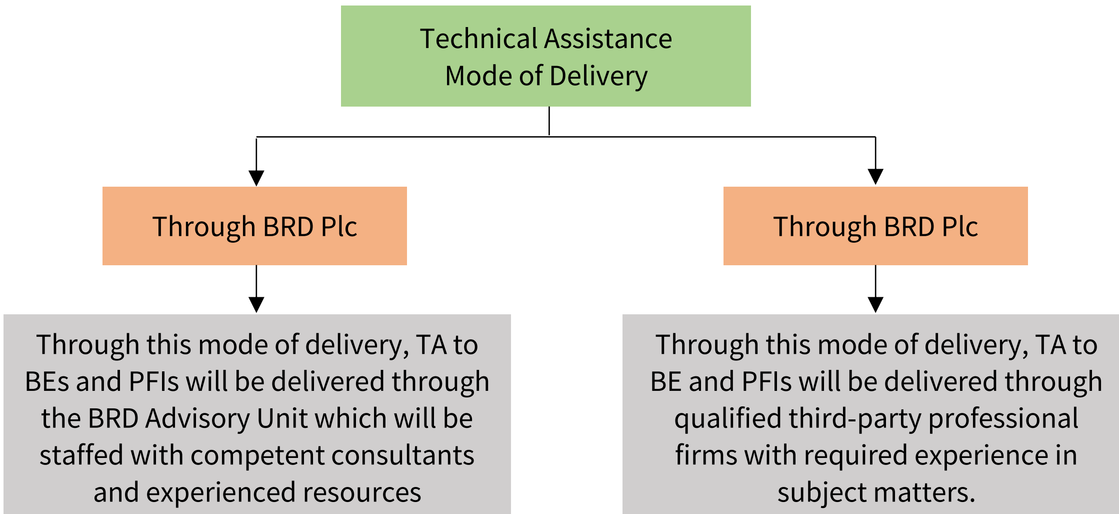
To access the TA, Businesses and PFIs will apply directly to BRD Plc where relevant appraisals processes will be followed. Applications can be made anytime.

BRD Plc's normal disbursement and monitoring processes will be used to monitor businesses that have benefited from TA, subsequent to TA agreements signing.

The PIU in coordination with BRD Advisory Unit will provide regular coordination and consultation to the PFIs and BEs on environmental and social safeguard risks, business management, and compliance with the eligibility criteria.

Technical assistance will be delivered through the following modes of delivery.

Figure 9: Technical Assistance mode of delivery



For established large and medium enterprises, the proposed approach is to provide individualized TA and advisory support, which plans to strengthen and redesign its business advisory service to focus on formal established enterprises and provide value added services such as business and risk assessment, value chain study, business plan enhancement, and so on. The aim is to target growth oriented and high potential firms that can potentially benefit from the financing window.

18.5 Eligibility criteria and requirements

All BEs and PFIs that are eligible for Technical Support will receive TA support from BRD. About 118 BEs are expected to receive TA by the end of AFIRR project. The eligibility criteria for BEs will be as follows:

- All businesses operating in the manufacturing sector and associated value chains
- Idea/project must demonstrate a developmental impact
- Must not have benefited from the same TA previously
- A detailed application – A digitally facilitated application process/Online portal
- The requested TA must be below predefined caps per project/business
- Must clearly demonstrate how the TA will support the business/project achieving the desired developmental impact
- Limited to companies registered in Rwanda

Types of Technical Assistances and related caps have been developed and will be regularly reviewed as the project implementation progresses. This also applies to TA eligibility criteria.

19 ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM

19.1 Environmental and Social risk, rating, and management

The implementation of AFIRR activities under the BRD's scope is anticipated to be associated with Environmental and Social (E&S) impacts and risks, mostly related to labour and working conditions, community health and safety, dust and noise emissions, water and energy use, generation of waste and soil and water pollution at the sub-project level. These are expected to be site-specific, reversible and can be addressed through standard mitigation measures. The Project's risk rating is assessed as substantial for both environmental and social risks.

The project will apply all Environmental and Social Standards (ESSs) of the lead co-financer, World Bank, except ESS7 (Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities). For the compliance with the applied ESSs, the Project was required to prepare the following instruments:

(i) the Environmental and Social Management Framework (ESMF),
(ii) Environmental and Social Commitment Plan (ESCP),
(iii) Environmental and Social Management System (ESMS),
(iv) Stakeholder Engagement Plan (SEP),
(v) Labour Management Plan (LMP).

Those standalone documents provide guidance on the management of environmental and social impacts and risks. The documents will be cleared by World Bank and disclosed on BRD website. Based on the screening results, the BRD exclusion list of activities (Annex 9) and the national and donor's E&S requirements, both PFI's, SMEs and BEs will be required to prepare, implement and monitor relevant site specific environmental and social instruments like Environmental and Social Impact Assessments (ESIA) or Environmental and Social Management Plan (ESMP) where required based on the E&S risk category of proposed sub-project.

19.2 Implementation arrangement

The preparation of E&S safeguards instruments, their implementation and monitoring as well as capacity building of different project actors (final borrowers, PFIs and local authorities) are the main project safeguards activities. The project level tools (ESMF, ESMS, ESCP, SEP and LMP) were prepared by BRD while the final borrower will be responsible for the development of site-specific tools (ESIA, ESMP, and Summary Screening Project Report).

The safeguards instruments will be executed by various institutions which are directly or indirectly involved in each sub-project. These institutions include World Bank as the lender, MINECOFIN/PCT as project coordinating entity, BRD as implementing agency, PFIs and final borrowers as project beneficiaries and other stakeholders like ministries and their respective agencies (REMA, RDB, Districts). World Bank will review and provide no-objection to the developed safeguards instruments and support and ensure that compliance is achieved as per the requirements of the project safeguards frameworks. Furthermore, it will conduct prior review of an initial 5 Environment and Social Due Diligence (ESDD) reports conducted by each PFI and thereafter conduct supervision spot checks to selected financed sub-projects for E&S compliance assessment.

MINECOFIN through the PCT has the overall responsibility for coordinating the project, E&S safeguards inclusive while BRD will provide technical support in the review of sub-projects screening reports prepared by the PFIs and ESIA/ESMP prepared by the BEs. Furthermore, BRD will coordinate stakeholder engagement and monitor the implementation of mitigation measures across sub-projects sites, build the capacity of PFIs and BEs as well as project stakeholders on E&S safeguards implementation and compliance. The BRD PIU will prepare E&S reports and submit to PCT on bi-annually basis.

The BRD PIU E&S safeguards staffs (E&S Specialists, GRM Officer) will act as focal persons during the implementation of safeguards instruments by PFIs and BEs. They will undertake the internal monitoring and evaluation role of all PFIs safeguards related activities during construction phase and operational phase. The BRD PIU will jointly work with the PFI focal persons and liaise with other stakeholders for E&S compliance by PFIs and their respective borrowers.

During the evaluation process of applications for funding, every PFI will screen the received sub-projects application to assess their E&S risks and impacts during the sub-project appraisal and advise the applicant on the way forward. The E&S Screening checklist is presented in Annex 8. Further, BRD's ESMS and AFIRR ESMF provide guidance and procedures on how to manage all E&S risk categories (low, medium, and high).

Depending on the sub-project E&S risk category, the PFI will ensure that the borrowers meet both National and World Bank environmental and social requirements. The site specific ESIA or ESMP prepared under the PFI financing will be reviewed and approve by RDB, the national competent authority. Additionally, PFIs shall monitor the implementation of mitigation measures and management plans as recommended in the ESIA or ESMP and report to BRD on quarterly basis.

The final borrower will execute the mitigation measures and management plans in the ESIA or ESMP reports. They will ensure the compliance during the ESMPs implementation in their respective workplace and report to PFI or BRD on quarterly basis.

RDB will review and approve the ESIA/ESMP terms of reference, report and issue an ESIA certificate for the implementation of a particular sub-project. The ESIA certificate is one of the Conditions Precedents (CP) to disburse LoC from PFI or BRD to the BEs. REMA will oversee the Project compliance with national environmental regulations.

As the AFIRR sub-projects will be implemented in selected districts administered by the local authorities with jurisdiction over the sub-projects' areas, each sub-projects District, through the District Environmental Officer (DEO), will ensure the proposed sub-project is environmentally and socially implemented by borrowers as per the site specific ESIA or ESMP report.

19.3 Monitoring and reporting

The E&S safeguard activities will be executed by BEs and regularly monitored by their respective PFIs and BRD PIU. The BEs and PFIs shall provide quarterly reports on the E&S performance of its financed activities and submit to PFI and BRD respectively. They should also report to PFIs and BRD immediately, and no later than 48 hours after taking knowledge about emergency situations related to or affecting the sub-project, which has or may have a material adverse effect on the environment, the affected communities, the public or workers. The report should provide details on the date of occurrence, causes of the incident, number of casualties, action taken, and mitigation measures put in place to avoid such occurrences. BRD PIU may compile incident reports from PFIs and BEs and submit to PCT for endorsement and immediate reporting to the World Bank/AIIB. The PFIs and BRD PIU may carry out an E&S due diligence and produce a report.

19.4 Grievance Redress Mechanism

Grievance Redress Mechanisms (GRM) are increasingly important for development sub-projects, where adverse impacts are anticipated. They serve as a way to prevent and address workers or community concerns, reduce risk, and assist larger processes that create positive social change. It will therefore be necessary to establish channels through which aggrieved people could file their complaints to ensure a successful implementation of the sub-project. The GRMs shall be set at sub-project and PFI levels and communicated to concerned workers. Any person among the workers or communities who believes that he/she is adversely affected by a World Bank supported sub-project may submit complaints to existing sub-project-level Grievance Redress Committee (GRC). The site specific GRC ensures that complaints received are promptly reviewed in order to address project-related concerns. The complaint may be escalated to the higher level if the aggrieved party is not satisfied with the response by the sub-project level GRC.

Project affected communities and individuals may submit their complaint to the World Bank’s Independent Inspection Panel which determines whether harm occurred, or could occur, as a result of World Bank non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and the Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank’s corporate Grievance Redress Service (GRS), please visit www.inspectionpanel.org.

BRD will maintain a centralized GRC for regular communication, monitoring, and grievance handling from PFI and sub-project level GRCs. The affected people can also submit complaints directly to BRD GRC if their comments are not adequately addressed at their GRC level. A consolidated GRCs report shall bi-annually be submitted to PCT at MINECOFIN and a summary published at BRD website.

PART 3: BDF PIM

ACCESS TO FINANCE FOR RECOVERY AND RESILIENCE PROJECT

(P175273)

Project Implementation Manual

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20 PROJECT COMPONENTS LED BY BDF

20.1 Project components

Sub-component 1.1 *Microbusiness Credit Line* under component 1: *Liquidity and Recovery Facility.* The objective of this facility is to provide financial support to MSMEs. Proceeds of the line of credit (LoC) will be on-lent by BDF through MFIs, mainly SACCOs, to final beneficiaries. Flexibility allows for both working capital and investment loans.

Component 2: *Risk-sharing Facility (US$40 million: US$35 million financed by World Bank and US$5 million co-financed by the Global Risk Financing Facility - GRiF*). This component will aim at enhancing, scaling up and expanding existing risk-sharing solutions—that is, PCG and de-risking schemes—with the objective of reaching MSMEs in sectors most hit by the COVID-19 pandemic.

Sub-component 2.1 *- Partial credit guarantee (PCG) (US$30 million):* The project will support the gradual capital increase for BDF's PCG upon fulfillment of performance-based conditions (PBCs) to strengthen its operation. This subcomponent aims to strengthen the operation of the BDF's PCG scheme and increase overall number and value of guarantees issued. The disbursement of this subcomponent will be based on Performance Based Conditions (PBCs) to improve results. The facility will largely benefit registered MSMEs affected by the pandemic looking at accessing working capital or investment financing or both from PFIs. New businesses will also benefit from the facility. The capital increase will be reflected through an increase in GoR's shareholding of BDF and diluting the current ownership structure and shares by BRD. The gradual capital injection is projected to keep the leverage of the capital around 1.2-1.4 times while the revised PCG procedures and policies gain confidence among the PFIs. Over time, subject to its performance, further leverage can be sought.

Performance-Based Conditions (PBCs)

PBCs were introduced to incentivize reforms and policy actions that can help improve (a) design and efficiency in the current operational model of the PCG, (b) enhance the fund's sustainability, and (c) boost transparency and trust in the scheme. Conditions outlined through the PBCs aim at enhancing the PCG scheme by, among others, *decreasing rejection rate of guarantee claims*, *improving methodology for guarantee coverage calculation*, *improving the collection of commission fees* and *raising awareness and capacity among market participants and BDF staff*. The component includes the following PBCs:

(a) PBC 1: Revision of PCG policies and procedures reflected in the Memorandum of Understanding (MoU) with financial institutions that are endorsed by and disseminated among the key stakeholders (US$2 million)
(b) PBC2: Increased market uptake of the guarantee product. The disbursement will be triggered based on the value of the outstanding PCG guarantee portfolio (US$28 million).

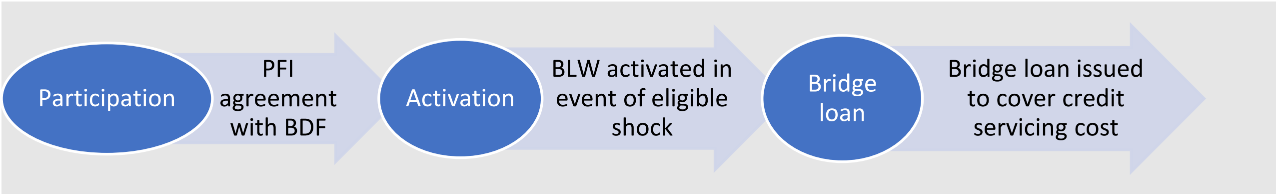
Subcomponent 2.2. *Bridge lending window for vulnerable MSMEs (US$10 million: US$5 million financed by World Bank and US$5 million co-financed by GRiF).* This subcomponent will fund the creation of a new financial de-risking tool to cushion MSMEs against compounding climatic shocks. The tool will consist of a bridge-lending facility (Bridge Lending Window [BLW]) that will provide short term lending to climatic shock-affected vulnerable MSMEs through BDF and a backstop insurance mechanism to protect BLW's capital from depletion. Climatic shocks, resulting from changes in temperature, precipitation, and their distributions, including droughts, floods, and landslides.

The objective of the bridge lending facility is to de-risk MSME lending portfolios of PFIs by reducing the risk of MSMEs defaulting on their debt obligations during times of economic hardship caused by an external shock.

The subcomponent shall particularly benefit MSMEs whose operations have already been affected by COVID19.

The BLW will be a facility designed to provide interim bridge loans to MSMEs through PFIs to cover debt servicing cost in case of a relatively frequent and moderate shock.[8] The resources extended through the BLW will enable shock affected MSMEs to pause debt servicing costs for a pre-agreed period to provide time to enable financial recovery and thereafter resumption of the loan repayment (for example, 3 months). The bridge loan will only cover payment of principal plus interest, excluding fees and penalties for a pre-defined finite period. Thereafter, MSMEs would resume debt service payments obligations and cover the cost of the bridge loan.

The loan to the shock-affected MSME will be restructured to enable repayment of outstanding loan balance plus the bridge loan. The BLW will target the needs of MSMEs affected by or at risk of suffering from a compounding shock event. The process flow will work as follows:



(a) **Participation:** The BDF has standing agreements with banks, MFIs and SACCOs that agree with their borrowers to cushion MSMEs guaranteed by BDF. Shock-exposed MSMEs that borrow from these institutions will be eligible for bridge loans from the BLW. The PFI will include classifying its portfolio on whether it is at risk of climatic shocks. Only MSMEs that are affected by eligible shocks will receive financing through BLW. Eligible shocks are those climatic shocks resulting from changes in temperature, precipitation, and their distributions, including droughts, floods, and landslides

(b) **Activation:** The BLW will be activated in the event of an eligible shock occurring and affecting borrowing MSMEs within a sub-region. The specific criteria will be detailed in the PIM[9], including the eligibility of shocks. The activation will be based on data but leave sufficient flexibility to account for unforeseen impacts on the ground. The BLW will be activated for relatively frequent events of moderate severity, occurring approximately once every 2-3 years. In the initial phase, the BLW will focus on drought and flooding, looking to expand to additional shocks over time.

(c) **Bridge loans:** When activated, the facility will provide a bridge loan to cover credit servicing cost of the underlying credit contract between the MSME and the financial institution for a specified limited time. Note that the bridge loan will exclude payment of fees and penalties

[8] The shock, intensity and frequency will be defined in this PIM after the product development is completed and will be reflected in the contractual agreement between BDF and PFIs.

[9] The specific criteria including the eligibility of shocks will be detailed after the product development is completed

charged by the PFI. The financial institution will work with the MSME to reschedule its loan repayment and adjust terms to suit the financing and cash flow position of the MSME. With the bridge loan covering the servicing cost of the underlying loan, the MSME receives financial space to cope with the shock and thereby avoid defaulting on its loan. The financial institution will recover from the MSME the bridge loan portion to be repaidto BDF, including a small interest fee to cover operational cost of the BLW. The PFI will be incentivized to recover the loan from the MSMEs. The incentive to PFIs will be determined during the product design process.

The bridge lending will become available automatically to MSMEs through financial institutions upon the occurrence of a shock as determined by objective data (for example, rainfall data, districts reports) that will be developed by BDF. This increases transparency of the mechanism and will lead to rapid disbursement of resources, attractive to MSMEs and financial institutions who would avoid the negative effect of defaulting on their obligation while trying to recover.

The BLW subcomponent will be supported by an insurance[10] backstop to protect the BLW capital from being depleted by severe shocks. The project resources will be used to finance premium payments of an insurance product to cushion the BLW capital. The BDF, with TA from the World Bank, will design an insurance contract to protect the BLW capital. In the event of a severe shock,[11] the insurance contract will trigger a payout which will disburse and top up the BLW capital.

BDF will hold discussions with all stakeholders to determine the best suited and most cost-effective potential insurer to underwrite the insurance product and to ultimately place the product in the market

The trigger upon which to base the insurance payouts will be based on the severity of a shock event in targeted locations and/or another shock-related quantitative parametric index. During the first 1-2 years of the project, BDF will procure a risk model which will form the basis of the insurance contract. Once designed, the BDF will engage with local and international insurance companies to finalize the insurance contract and transfer the risk.

The subcomponent will fund US$3 million of insurance coverage over the life of the project, which again will be co-financed by a recipient executed grant of US$1.5 million from GRiF, implemented through a traditional IPF modality.

Any insurance payouts will be paid into the BLW with the primary role being to replenish/top-up the fund’s capital during shock scenarios. This will protect the capital from bridge loan defaults given the severe nature of the shock.

Any excess resources from the insurance payout will increase the capital in the BLW, enabling it to scale up lending to shock affected MSMEs during severe shocks. Thus, the insurance backstop will enable the BLW to deploy additional funds in a counter-cyclical manner, scaling up disbursements during shocks years.

[10] Insurance features and conditions will be determined after product development of BLW
[11] The shock, intensity and frequency will be defined in the PIM, and will be reflected in the contractual agreement between BDF and PFIs.

Subcomponent 3.1 *Strengthening Firms' capability for resilience and recovery (US$3.8 million)*
The objective of this subcomponent is to support firms through the provision of tailored Business Development Services (BDS) and technical assistance to address the lack of capacity by MSMEs to develop bankable business plans, the poor quality of financial statements and records, digital skills, the inability to manage risk, the lack of knowledge of business development and management, among others. It will also include regular tailored coaching and mentoring support by BDF depending on the needs and the capacity of MSMEs.

BDF will provide targeted and tailored support to MSMEs. Trainings to address gender specific constraints will be included to address gaps in communications skills, negotiation, leadership etc., depending on the gaps identified. Trainings will be structured keeping in mind women-specific constraints that may include logistical access/transport, childcare and family responsibilities, among others. to ensure that women have equitable access.

BDF will have an effective awareness creation and communications campaign to the public and the business community, including transparency on the eligibility and criteria for accessing the support. Women led businesses will be a key target segment to ensure that they have the information about the project and the TA with women's business associations and other organizations leveraged as partners for this outreach to better communicate with the target segment.

BDF will provide structured business development trainings as well as one to one coaching and mentoring to MSMEs by leveraging its existing business advisory services and its extensive presence at the district level. Awareness creation and communication campaigns will be done through the BDF marketing unit and delivery channels will be physical meetings (while observing Covid-19 preventive measures), radios, TVs, and social media.

Subcomponent 3.2 *Institutional Strengthening (US$3.5 million*
The project will finance the TA support to upgrade the operations of BDF and its capacity to effectively implement the project.

Areas to be supported under component 3.2

(i) ***Partial Credit Guarantee (PCG)***

(a) The project will provide TA to support the BDF's effort to revamp the PCG. The priority areas to be supported by the Project TA will focus on improving policies and operational procedures to (i) decrease the high rejection rate on guarantee claims, (ii) improve the calculation of the guarantee coverage, (iii) collection of fees, and (iv) capacity building of staff in BDF PFIs, among others[12].
(b) The project will provide international expertise and cover other TA costs including, workshops, and training programs. The marketing and awareness campaigns for PFIs and other stakeholders will be self-financed by the BDF.

•

(ii) ***Bridge Lending Window (BLW)***

(a) BDF will be supported to strengthen its internal capacity, operating procedures and systems to enable the successful launch and implementation of the BLW. Upon project effectiveness, the focus will be on establishing the systems, policies and procedures for the capitalization of the BLW. Once these are in place, the project will capitalize the BLW using funds from

[12] Please refer to the approved procurement plan for TA areas.

Subcomponent 2.2. In parallel, BDF will focus on the key activities such as product design and product operations manual that includes how to access the product and eligibility criteria among others, to enable rapid disbursements from the BLW, as well as to procure the insurance backstop.

(b) Financial institutions and insurers will be included in the planning and design of the BLW and the insurance backstop from the start.

(c) BDF project team will collaborate with the International Finance Corporation (IFC) to deliver customized trainings and capacity building to the stakeholders on the technical aspects of the program, as well as disaster risk financing principles.

(d) Discussions will be held with all stakeholders to determine the best suited and most cost-effective potential insurer(s) to underwrite the insurance product and to ultimately place the product in the market.

(iii) ***Project management***

(a) All aspects of project management related to (a) project staffing and their training; (b) procurement and financial management; (c) environmental and social safeguards implementation and compliance; (d) monitoring and evaluation (M&E); (e) equipment and operating costs; (f) communication and knowledge management.

Sourcing required TA expertise

(iv) Expertise needed for the TA activities shall be procured based on the approved procurement plan and the World Bank procurement regulations (*The World Bank Procurement Regulations for IPF Borrowers, 4th Ed., 2020*)

(v) Terms of reference shall be developed, shared with the World Bank team by email for review and comments. Once comments are provided, addressed and TORs approved, BDF will publish them on the World Bank *Systematic Tracking of Exchanges in Procurement* (STEP) *System*. Then, BDF will proceed with the recruitment process as per the existing World Bank procurement regulations.

Note: *Any issue related to procurement of goods and services, please refer to the World Bank Procurement Regulations for guidance.*

20.2 Project Beneficiaries

The expected project beneficiaries are private businesses that have been impacted by the COVID-19 pandemic. There are three clearly identifiable target groups: (a) MSMEs impacted by the pandemic, (b) underserved MSMEs, a subset of (i) facing tighter conditions and credit rationing compared to the average MSME, and (ii) firms looking at adapting, expanding or starting their business lacking sources of short to long-term sources of finance. The project will support viable and potentially viable businesses in all sectors.

20.3 Gender Mainstreaming

To scale up women access to finance, BDF established specific programs to facilitate women access to finance; for example, guarantee product with widened range of coverage up to 75%, grant of 15% of the total loan disbursed, and SACCO refinancing where SACCOs are incentivized by reducing the BDF lending rate by 1% once the SACCO portfolio reaches 40% of women.

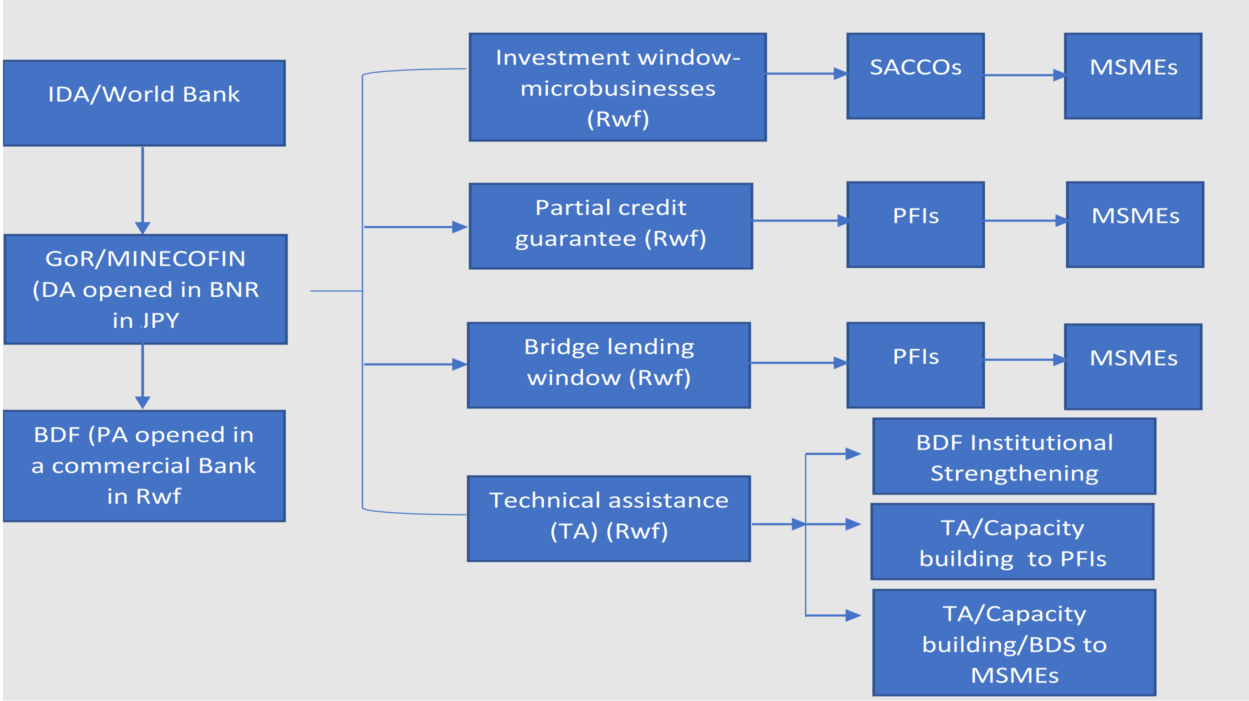
The project will target women in the provision of TA with the objective of increasing the chances for women to access finance through PFIs. Trainings to address gender specific constraints will be included to address gaps in communications skills, negotiation, and leadership, among others, depending on the gaps identified. Trainings will be structured keeping in mind women-specific constraints that may include logistical access/transport, childcare, and family responsibilities, to ensure that women have equitable access.

21 FINANCING ARRANGEMENTS

The World Bank has signed Financing Agreement (FA) for credit (Credit No. 6927-RW; and No. 6926-RW) and grant (Grant No. D852-RW; and No. TF: B5809-RW) with the Government of Rwanda (GoR) represented by MINECOFIN and will disburse the fund in Japanese Yen (JPY) currency. MINECOFIN will sign a Subsidiary Agreement (SA) with BDF. BDF will sign Subsidiary Financing Agreement (SFA) with eligible PFIs for refinancing and disbursement will be done in local currency. The Project provides required TA to PFIs and Business Development Support (BDS) to MSMEs.

Note that BDF will not have a repayment obligation of the funds received under this project. The funds to be received under this project have been considered as capital increase upon authorization by the GoR, and the BDF Board of Directors has duly approved this decision.

Figure 1: Funds flow structure



21.1 Designated Account (DA)

(a) BDF shall maintain 2 DAs one in JPY and another in USD at BNR. BDF shall also maintain a Project Account designated in FRW in a commercial bank approved by the World Bank. Funds will flow directly from the World Bank to the DAs at BNR following a Withdrawal Application. BDF shall maintain funds relating to Subcomponent 1.1 - Microbusinesses Credit line, and Component 2 - Risk-sharing Facility. BDF account shall also maintain funds in relation to Component 3.

(b) Disbursements will follow the Interim Financial Report-based method. However, the project may also use direct payments, transaction-based Statement of Expenditure method *(ref. Financing Agreement, pg. 48*), reimbursement and special commitments depending on the case. Contracts denominated in US$ will be settled from the DA or via direct payment from the Bank.

(c) Upon effectiveness, BDF will submit to the Bank, a request for withdrawal of funds accompanied by six months' cash forecast. Based on the request, the Bank will transfer the proceeds of the loan/grant to the DA. Subsequent replenishment of the DA will be based on the submission of application for withdrawal accompanied by a Statement of Expenditure.

21.2 Participating Agreement with PFIs

For effective implementation and delivery on the project components, BDF shall:

(a) Select the respective PFIs in accordance with the eligibility criterion set forth in this manual and including a minimum requirement that each PFI: (i) is in full compliance with the government's relevant laws, as applicable; and (ii) has satisfactory staff capacity and managerial autonomy to carry out its role in the project, and

(b) Enter into participating agreements with Participating Financial Institutions (PFIs) under the terms and conditions set forth in this manual.

(c) World Bank non objection will be required for entering PFI participating agreement.

21.3 Eligibility criteria for PFIs to access PCG, Microbusiness Credit Line (ERF), and Bridge Lending Window

PFIs should meet the following eligibility criteria to sign up a participation agreement with BDF to access the partial credit guarantee, microbusiness loan, and bridge lending window:

Criteria	Banks	MFIs	SACCOs
(i) Being fully licensed by the Central Bank	✓	✓	✓
(ii) Demonstrate commitment to excellence and a good understanding of BDF's requirements (Credit underwriting, documentation, guarantee applications, reporting, and claims processes)	✓	✓	✓
(iii) Provide dedicated staff to specialize in BDF financial access programs	✓	✓	✓
(iv) Registered in the Rwanda Credit Reference Bureau	✓	✓	✓
(v) **Compliance with prudential regulations issued by the BNR** – the PFI must be in good standing with the BNR always and observe all other applicable laws and regulations.	✓	✓	✓
(vi) **Good governance** – "fit and proper" owners, directors and managers; adequate Board composition and practices; adequate organization and institutional capacity for its specific risk profile.	✓	✓	✓
(vii) **Capital adequacy** – compliance with BNR regulations (i.e., minimum capital of 15 percent calculated as the ratio of total capital to total risk weighted assets).	✓	✓	✓
(viii) **Adequate liquidity** –Comply with minimum Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) of 100 percent	✓	✓	✓

(ix) **Adequate profitability** – positive profitability and stable earnings trend (at least for a period of 3 years)	✓	✓	✓
(x) **Adequate credit policy** - including internal rules for reliable appraisal of mortgaged properties	✓	✓	✓
(xi) **Acceptable risk profile** – effective Asset and Liability Management Committee (ALCO) or equivalent, well-defined policies and written procedures for management of all types of financial risks (liquidity, credit, currency, interest rate and market risk, as well as risks associated with balance sheet and income statement structures).	✓	✓	✓
(xii) **Adequate asset structure and portfolio quality** – acceptable asset structure including concentration; lending to connected parties; effectiveness of loan underwriting; asset classification and provisioning; level of NPLs and collection practices	✓	✓	✓
(xiii) Compliance with the project's Environmental and social safeguards instruments.	✓	✓	×

21.4 Eligibility criteria for sub-borrowers to access PCG, Microbusiness Credit Line (ERF), and Bridge Lending Window

BDF will ensure that each PFI selects eligible MSMEs, which:

(a) Comply with the eligibility criteria set forth in this manual, including that the eligible MSMEs have an ownership, management and financial structure consistent with the laws and regulations of the government; and

(b) Are not in litigation or on a list of companies declared ineligible by the World Bank to participate in the bank-financed projects

Criteria	**Criteria applies to**		
	PCG	**Microbusiness loan**	**Bridge lending window (BLW)**
(a) A business should be registered in Rwanda	✓	✓	✓
(b) A project may be a startup (business in its first stages of operations) or an existing business	✓	✓	✓
(c) A project is a feasible business	✓	✓	✓
(d) MSMEs vulnerable and affected by a climatic shock	×	×	✓
(e) MSMEs guaranteed by BDF partial credit guarantee	×	×	✓
(f) Business not included in the exclusion list	✓	✓	✓

Note: eligibility criteria for sub-borrowers applied to BLW are the minimum required. More criteria will be determined and elaborated during the product development phase.

The following sub-projects shall not be eligible for financing:

(a) Any sub-projects involving non-eligible expenditures

(b) Any sub-projects affecting international waterways, natural habitats, disputed areas or indigenous people

(c) Any sub-projects involving the conversion or degradation of forest areas

(d) Any sub-projects involving the involuntary taking of land or involuntary resettlement resulting in relocation or loss of shelter, loss of assets or access to assets, loss of income sources or means of livelihood, or involving the involuntary restriction of access to legally designated parks and protected areas
(e) Any sub-projects involving the construction or rehabilitation of dams
(f) Any sub-projects that finance excluded expenditures, as set forth in schedule 5 of the Financing Agreements.

Box 1: List of excluded activities/businesses

- Production or trade in any product or activity deemed illegal under host country (Rwanda) laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, polychlorinated byphenyls (PCB's), wildlife or products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).
- Production or trade in weapons and munitions and armed related activities.
- Production or trade in tobacco.
- Gambling, casinos and equivalent enterprises.
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where BRD considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km in length.
- Plantation projects that would require the removal of existing non-degraded natural forest or protected areas.
- Activities which may affect adversely sites of cultural or archaeological significance.
- Transboundary trade in waste or waste products, except for non-hazardous waste destined for recycling.
- Trade in goods without required export or import licenses or other evidence of authorization of transit from the relevant countries of export, import and, if applicable, transit.
- Drug and human trafficking
- Any criminal or outlawed activities
- Any business prohibited by laws and regulations
- Terrorism and money laundering activities.
- Companies involved in child labor
- Companies linked to tax evasions

21.5 Partial Credit Guarantee (PCG)

21.5.1 Process to access Partial Credit Guarantee (PCG)

(a) An MSMEs will submit loan application to the PFI
(b) The PFI will analyze the loan application including the need for a BDF guarantee

(c) The PFI will submit a guarantee request to BDF for those projects with no enough collateral
(d) BDF will issue a guarantee notification to the PFI once an MSME fulfils eligibility criteria and the PFI will disburse a loan to the MSME.

Note that the policy, procedures, eligibility criteria and other conditions, will be reviewed under this project and the new changes will be included in this manual after the review. However, before the review is done and new terms and conditions are approved, the existing PCG terms and conditions will continue to be applied.

21.5.2 Key Features, Terms and Conditions

PCG key features, terms and conditions, are presented in this manual, and they are subject to change upon PCG product review and redesign that will be carried out under AFIRR project support. However, as the exercise has not yet taken place, existing terms and conditions prevail to allow business continuity. PCG review and redesign shall include any other rules important for the PCG management; for example, rules related to the investment of PCG capital, restriction on leverage, recovery and NPL targets, among others.

(i) Risk coverage

The PCG covers a range of the definitive loss on a defaulting loan as detailed (per business category and window): *Working Capital Window:*

Size/Annual turnover BE	**PCG**
Small (Turnover < 500 million)	50% - 75%
Medium (Turnover >500 million and <1 billion	50% - 75%
Large (Turnover >1 billion)	N/A

Investment Window:

Size/Annual turnover BE	**PCG**
Small (Turnover < 500 million)	50% - 75%
Medium (Turnover >500 million and <1 billion	50%
Large (Turnover >1 billion)	50%

(a) Working capital loans for agriculture campaigns are covered up to 30%

(ii) ***Special groups***

Only the following targeted groups are eligible to receive risk cover above 50% to a maximum of 75%:

(a) Women
(b) Youth: aged from 18 to 30 years (*Reference: National Identity Card)*

(c) People With Disabilities – *(Reference: Registered with the National Council of People Living with Disabilities)*
(d) Vulnerable Genocide Survivors – *(Reference: Registered with the National Commission for the fight against Genocide)*
(e) Veterans– (Reference: Certificate of Demobilization and registered with the Rwanda Demobilization and Reintegration Commission)

(iii) ***Guarantee amount applicable for PFIs including SACCOs***
Note: The guarantee amount is calculated based on the total bank risk (max 130% of loan).

(a) Maximum amount guaranteed for working capital loans for agricultural campaign is limited to Five Hundred million Rwandan Francs (Rwf 500,000,000)
(b) Guarantee commission fee: SACCOs will pay 1% of the outstanding guarantee value, while other PFIs will pay 2% of the outstanding guarantee every year over the maturity period

(iv) ***Maturity period***
(a) A maximum of fifteen (15) years for Investment loans
(b) A maximum of five (5) years for working Capital loans

(v) ***Procedures for Claims for Compensation***
A PFI may submit claim for compensation:
(a) After 60 days but not later than 120 days from the classification of a loan as non- performing. Here, BDF, upon satisfaction on the completeness of the information provided, will compensate 50% of the approved guarantee outstanding.
(b) After 30 days but not later than 90 days from the actual write-off of a loan when the PFI has accelerated such loan in event of default. BDF will pay the remaining 50% to complete the compensation to the PFI, as the PFI continues with the recovery process.

(vi) ***Payment of guarantee***
PFI shall submit to BDF a formal advance payment request after BDF's approval of the claim, and advance payment will be done within thirty (30) days from the receipt of the Advance Payment Request. BDF will pay, by way of an advance, fifty per cent (50%) of the outstanding guaranteed amount.

The PFI shall send together with the Advance Payment Request, the following documents:
(a) The loan agreement and its amortization schedule.
(b) A memorandum describing the basis on which the PFI considers that the loan is a defaulting loan together with all documentary evidence.
(c) Evidence of the debt owed to the PFI as at the determination date; and as the case may be, (i) the acceleration letter in respect of the relevant loan or, (ii) a formal demand to pay on the final maturity date of the loan, or (iii) any documentary evidence as to the opening of insolvency proceedings against the borrower.

(vii) ***Balance payment***
(a) BDF will pay the balance within 90 days from the date of receiving the claim upon verification of all procedures.
(b) When it is established that all useful measures against the Borrower have been exhausted to recover the outstanding amounts under the loan (including calls on or enforcement of all related security interests, collaterals, charges or pledges of any kind, or any other instrument

which has the same purpose or effect, under the Defaulting Loan), then BDF shall receive its pro-rata share if the recovered amount exceeds the PFI portion.

Note: The PFI shall be diligent and take all useful measures to recover its debt under the Defaulting Loan and promptly enforce the security granted, by the Borrower. Any waiver by PFI to enforce any of its rights will require a prior written express approval of BDF.

21.5.3 Sustainability measures for the PCG

The effective management of the PCG fund will be done with a view to ensure that the fund is sustainable. Conditions for PCG sustainability are based on the following parameters:

(a) **Leverage ratio (LR)** of around 1.2-1.4 times of total capital. This is projected in the initial stage of the project implementation and will be adjusted as PFI uptake increases over time.

(b) **Non-performing loan (NPL)** not exceeding 8%

(c) **Guarantee recovery rate** of at least 20%

21.6 Microbusiness credit line (ERF)

(i) Application pack

A SACCO should submit the following documentation to BDF as part of an application pack for a microbusiness credit line:

(a) Application letter from the SACCO.
(b) Attach at least 2 years financial statement for the SACCO.
(c) Attach business plans for all beneficiaries applying for the facility.
(d) Attach the ID of the Chairperson or Vice Chairperson of the Board of Directors.
(e) Bank and Account number of SACCO concerned.
(f) Attach Board of Director authorization to get loan from BDF.
(g) Attach RDB/RCA certificate of the businesses and National ID for individuals.
(h) Attach copy of trading license
(i) Attach CRB Certificates of any existing loans.
(j) Attach SACCO internal memo (analysis evaluation note) for this loan.
(k) Attach updated Saving and credit policy and Procedure manuals for the SACCO.
Note: All applications by PFIs to BDF are done online using the web application system

(ii) Process

(a) Applications from beneficiaries are sent to the SACCO
(b) SACCO conducts credit analysis
(c) SACCO then applies for ERF in BDF on behalf of the beneficiaries with all the above requirements.
(d) BDF analyses/reviews the applications
(e) Funds are disbursed to the SACCO for approved projects and SACCO disburses to the beneficiaries

(iii) Key features

(a) Borrowers may access both working capital and investment capital up to Rw 5 million per client in SACCOs. Loans issued by the SACCOs to the clients are monitored through quarterly reports from the SACCOs to BDF. These reports show each individual client who received a loan, loan amount, performance of the loan, and comment.
(b) SACCOs will access funds from BDF at zero percent (0%) interest rate and will on-lend to their clients at 8% interest rate. These rates are determined in the existing Economic Recovery Fund (ERF) operational guidelines issued by BNR.

(c) SACCOs will make a monthly loan repayment to BDF and will accordingly fulfil all other contractual obligations as stipulated in the participation agreement.
(d) The maximum loan tenure shall be five (5) years and a grace period determined in accordance with the projected cash flows.
(e) Every borrower will be allowed to access microbusiness loan only once on this program
(f) Borrowers are allowed to benefit from the BDF partial credit guarantee (PCG) in case of insufficient collaterals
(g) Other conditions will be as settled in Economic Recovery Fund (ERF) guidelines and the Directive No. 0300-2020-00015 of the National Bank of Rwanda and Economic Recovery Fund Operational guidelines

(iv) Type of loan and target sectors

Microbusiness loan will finance both working capital and investment capital and will be open to all sectors of the economy. SACCOs will analyze the loan applications from the sub-borrowers (MSME beneficiaries) and will submit a list of the applicants and the analyzed application pack to BDF for eligibility assessment, approval, and disbursement.

(v) Sub-Loan Agreement

For the purpose of carrying out sub-projects under sub-components 1.1, 2.1, and 2.2 of the project, BDF shall ensure that each PFI enters into a sub-loan agreement with each eligible MSME on terms and conditions set forth in this manual and eligibility criteria and procedures acceptable to the World Bank.

21.7 Technical Assistance

Technical assistance under this project will be provided to upgrade BDF operations in a bid to support the expansion of access to finance for MSMEs. Technical assistance will focus on the following areas:

(a) BDF institutional strengthening

(i) Extended survey on PFI satisfaction and development of the satisfaction index
(ii) Review and redesign of the partial credit guarantee (model, procedures, pricing structure, etc…)
(iii) Integrated MIS&M&E System
(iv) Technical support in service delivery, process review and improvement
(v) Bridge Lending Window product development, product prototype test, product launch

(b) Capacity building for BDF, PFIs, insurers and other government and private sector stakeholders

(i) Training in credit analysis and risk management in SME and agriculture lending to the staff of BDF and banks
(ii) The process of planning and design of the bridge lending window (BLW) will include from the inception the financial institutions and insurers. Customized trainings and capacity building will be provided to both the government and private sector stakeholders on the technical aspects of the BLW, as well as disaster risk financing principles

(c) ***Strengthening firm's capability for recovery and resilience***: The objective is to support firms through the provision of tailored technical assistance and BDS to address constraints on the demand side. Activities to be done:

(i) BDS needs assessment
(ii) Craft a comprehensive MSME capacity building program

(iii) Module development and implementation
(iv) Training, mentoring, and coaching
(v) BDS Delivery mechanism (Digitization of BDS for MSMEs, e.g., online portal/web application with uploaded tools for self-diagnostics/health checks, MSME rating, online dummy projects, self-training, self-evaluation, etc.)

21.7.1 Eligibility criteria for MSMEs to access technical assistance (TA)

Overall, the technical assistance to MSMEs will aim at enabling the beneficiaries to successfully access the resources and financial support designed under sub-components 1.1, 2.1, and 2.2 of this project. The MSMEs will be eligible for the TA under the following criteria:
(a) A business is registered as per the Rwandan laws
(b) A business is a startup (still at its early stages of operations) or an existing venture
(c) Has already benefited from BDF products or intends to use them
(d) Operates in any sector of the economy
(e) A business is not included in the exclusion list

21.7.2 Delivery mechanism of TA to MSMEs

Capacity building to MSMEs will be delivered both physically and online. Physical trainings will be held in the training rooms available in the BDF branches (depending on the proximity of the trainees) or in the rented training halls. Online trainings will be delivered using IT infrastructure established in BDF. MSMEs will also enjoy continuous learning through an online portal/web application that will be developed under this project and will contain different modules and tools for easy learning.

22 IMPLEMENTATION ARRANGEMENTS

For this project, BDF will establish a project implementing unit (PIU) which will be responsible for overall project coordination, monitoring and reporting. The BDF PIU management functions include:

(i) *Project administration*: this will be covered by the PIU and functions will include the following:
- Maintain relationships with MINECOFIN, BNR, BRD World Bank, relevant stakeholders.
- Conduct project activities and progress reporting to the Project Coordination Team (PCT).
- Appraise eligibility of the PFIs and Business Enterprises.
- Coordinate implementation of all project components related to BDF.
- Maintain relationships with PFIs and Business Enterprises.
- Provide required TA and Business Development Services to PFIs and Business Enterprises. If required, PIU can hire external consultants (consulting firm) for capacity building activities.
- Provide reports to MINECOFIN, BNR, and the World Bank necessary for project implementation reviews and take a lead in project impact assessments.
- Ensure integrity of E&S screening, procurement process and financial management.
- Ensure compliance with World Bank's Anti-Corruption Guidelines.

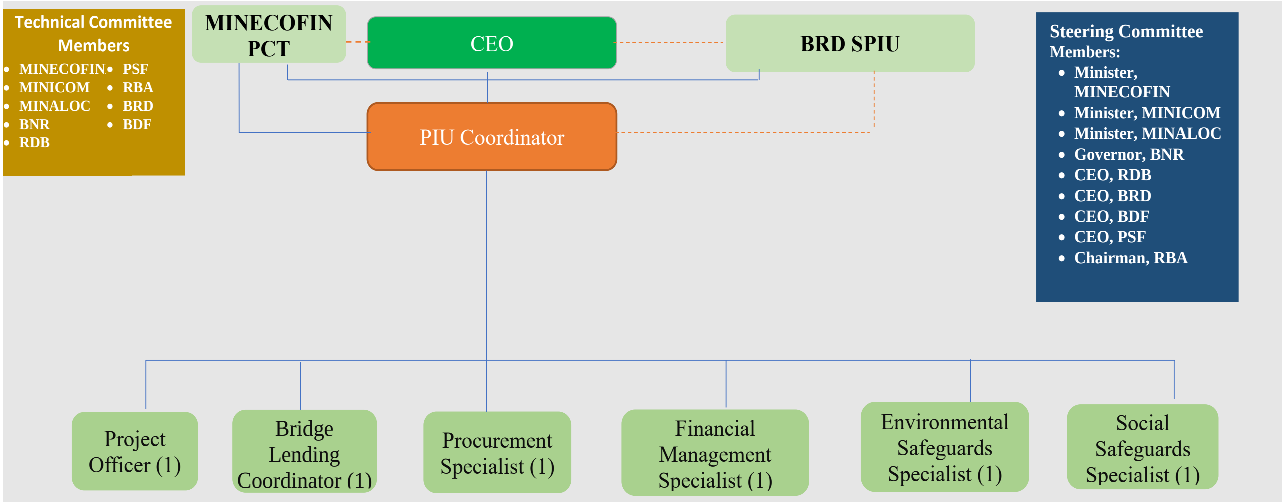
(ii) *Approval and supervision of AFIRR subsidiary finance*: Approval of subsidiary finance will be covered by the Investment Committee (IC) and or BDF Board Investment Committee (depending on the size of the loan/guarantee). The approval and supervision of subsidiary finance includes:

- Preparing and disseminating information about the AFIRR microbusiness credit line, terms and conditions of finance and eligibility criteria to all eligible PFIs, MSMEs directly benefiting from the microbusiness credit line as well as other stakeholders indirectly benefiting from the project.
- Reviewing, analyzing, and presenting the loan and guarantee applications to the investment committee or Board investment committee for approval (see approval limits in Table 10).
- Preparing and sending notification to the PFIs on approved guarantee and/or microbusiness credit facility for the MSMEs
- Disbursing the approved loan to the PFIs then to the MSMEs.
- Ensuring that funds are used for eligible expenditures. The PFI that uses funds on ineligible expenditures should be refunded to BDF.
- Monitoring that PFIs are supervising with due diligence their sub-loans to the MSMEs.
- Supervising those sub-loans made to eligible beneficiaries in accordance with agreed criteria specified in this PIM
- Preparing, in an agreed format, quarterly project implementation report for World Bank and submit the report to MINECOFIN PCT for compilation with the report from BDF and share with World Bank.

(iii) *Financial management and disbursement*: Financial management and disbursements will include the following:

- Maintain financial management system in accordance with the World Bank requirements.
- Maintain a Special Account, prepare withdrawal applications, maintain a local project account, and maintain summary records of the flow of resources.
- Make disbursements to PFIs in a timely manner against appropriate documentation
- Decide for external audits of the project accounts and records, including the Special Account, the local project accounts, and Statements of Expenditures.
- Prepare and submit to the World Bank not later than 45 days after the end of each quarter, interim unaudited financial reports for the project covering the past quarter, in form and substance satisfactory to World Bank.
- Prepare other respective quarterly, semi-annual, and annual financial management reports.
- Responsible for adherence to all fiduciary and safeguard requirements of the World Bank.

22.1 Institutional Arrangements



Note 1: The hard blue lines depict existing formal communication (reporting) within and out of the structure (institutional relationship). The dotted red lines show existing informal relationship

Note 2: PIU in BDF is a new structure. All the staff in PIU are new except the PIU coordinator. More staff may be needed during project implementation and will be determined as demand arises and upon consultation and approval by the World Bank.

Note 3: BDF is currently undergoing internal re-organization, and this may affect the structure of the PIU, as it will need to be accommodated within the new organizational structure. The re-organization will lead to a more effective and efficient structure.

22.1.1 Key Staff of the PIU: Roles and Responsibilities, Competencies and Qualifications

The PIU will be staffed with qualified personnel capable of satisfactorily implementing all aspects of the project components. The PIU will work closely with other stakeholders to effectively implement the project.

The following will be the roles/responsibilities, competencies, and qualifications of key staff of the PIU

(i) Project Officer

Roles and Responsibilities

Generally, the Project Officer will closely work with the PIU team to carry out due diligence, project review, project analysis, preparation of all necessary paper works for investment committee, and presentation of the projects for approval. Specifically, he/she will:

- ✓ Carry out project management work in respect of world bank programs (operations) and contribute to advisory and technical assistance tasks. This will include, but not limited to, assessing the adequacy of project management arrangements for new and ongoing projects, monitoring compliance with the Bank's project implementation policies and procedures, ensuring that World Bank-financed projects are carried out in accordance with applicable World Bank guidelines, policies, procedures, and instructions; and supporting analytical work on projects and public financial accountability.
- ✓ Perform a full range of project management duties and will take a leading role in the following tasks:
  - Create a strong pipeline through identification of new projects in line with project objectives and targeted eligible beneficiaries including partner financial institutions (PFIs) through visit, government agencies and other selling avenues to increase absorption of the project funds.

- Act as a liaison person/ officer between BDF and beneficiaries of world bank Project during Implementation activities for both new and existing projects that need improvement, supervision and assessments of ongoing operations covering project implementation process,
- Continuously engage all stakeholders involved in project management and ensure compliance on policies and procedures of World Bank.
- Consolidate all monthly, quarterly, and annual reports on project implementation from other components to make a comprehensive report to share with World Bank.
- Monitor borrower's compliance with World Bank project policies and procedures.
- Coordinating all project activities and work with entire team to facilitate smooth implementation process.

Required Competencies

- ✓ Excellent computer skills.
- ✓ Excellent interpersonal and communication skills.
- ✓ Good analytical and negotiation skills; resourcefulness, initiative, maturity of judgment.
- ✓ Ability to establish priorities and to plan, coordinate and monitor own work plan.
- ✓ Ability to work under pressure and meet deadlines.

Qualifications and Experience

- ✓ Bachelor's Degree in Business Administration (Finance or accounting), Business Management, Economics, or any other related field. A master's degree in a related field is an added advantage.
- ✓ At least three years' working experience in the banking industry, specifically in credit/investment analysis.
- ✓ Proficiency in both written and spoken English language.

(ii) Procurement Specialist

Objective of the Procurement Specialist

The main objective of the Procurement Specialist is to assist the BDF Project Implementing Unit in managing the AFIRR procurement activities.

Specific Objectives

- ✓ Ensuring all procurement activities under AFIRR project funding are carried out within timelines.
- ✓ Adherence to the following fundamental principles:
  - o **Economy:** Ensuring that BDF gets the best value for money in terms of both price and quality for all the procured good/services
  - o **Efficiency:** Ensuring that the project procurement needs are met timely, and resources employed produce optimal benefits.
  - o **Fairness:** Ensuring that all procurement decisions and actions are unbiased and there is no preferential treatment to individuals or firms.
  - o **Transparency: E**nsuring that the procurement process and practices are clear, measurable, predictable; and the procurement information is easily and readily accessible to the procurement team and prospective service providers.
  - o **Accountability:** Ensuring that there is a sense of responsibility and accountability for actions taken in the procurement process.

Roles and responsibilities

- ✓ Prepare project procurement plans and participate in BDF annual planning and reviews.
- ✓ Work closely with all AFIRR project stakeholders in all procurement related issues

- ✓ Drafting all correspondences to be addressed to AFIRR project stakeholders in all procurement related matters.
- ✓ Prepare adverts and publish them in accordance with the World Bank procurement policy and guidelines.
- ✓ Prepare technical specifications and terms of reference for goods and services to be procured in close collaboration with the PIU Manager, BDF Chief Budget Manager, and the World Bank Procurement Analyst)
- ✓ Prepare tender documents and request for proposals (RFP) for goods and services to be procured under AFIRR project.
- ✓ Participate in bids evaluation and prepare the technical and financial evaluation reports.
- ✓ Prepare provisional and definitive notification letters.
- ✓ Process claims and advise BDF Management on the appropriate course of action to take.
- ✓ Draft contracts for reviews and signing by the successful bidders and the BDF Chief Executive Officer
- ✓ Ensure that all AFIRR project procurement information is well documented/filed and archived.
- ✓ Provide advice to BDF Management on all AFIRR project procurement related issues.
- ✓ Execute any other task assigned by the supervisor.

Skills and Expertise
The procurement specialist should meet the following requirements:
- ✓ At least a bachelor's degree in business administration, economics, procurement management, law or any other related field. A post graduate degree in these areas or having procurement certification and membership of a procurement professional body is an added advantage.
- ✓ At least 5 years working experience in procurement or general services management in a reputable organization.
- ✓ Knowledge of World Bank procurement rules, regulations, policies, procedures, and practices is an added advantage.
- ✓ Computer literacy and good knowledge of MS office applications.
- ✓ Fluency in English. Knowledge of French and Kinyarwanda is an added advantage.
- ✓ Skills in planning, organizing, and controlling.
- ✓ Excellent leadership, organizational and interpersonal skills.
- ✓ Excellent communication and analytical skills

(iii) Financial Management Specialist

Roles and Responsibilities
The Financial Management Specialist will have the following roles and responsibilities:
- ✓ Ensure that all project funds are used in accordance with the conditions of the financing agreements, with due attention to economy and efficiency, and only for the purposes for which the funds were provided to achieve the desired objectives.
- ✓ Ensure compliance with laws and regulations governing the operation of the implementing institutions including accountancy standards and the requirements for audits and financial reporting.
- ✓ Ensure that all necessary supporting documents, records and accounts are kept in respect of all project activities, with clear linkages between the books of account and the financial statements presented to the financiers.
- ✓ Ensure that designated account and operational accounts are maintained in accordance with the provisions of the financing agreement and in accordance with the World Bank's rules and procedures.

- ✓ Ensure the Project's Financial Procedures as detailed in the Project Implementation and Financial Manuals are strictly adhered to by all Project staff and executing agencies. Further contribute to any updating of the Project Implementation and Financial Manuals.
- ✓ Ensure that the periodic financial reports, (i.e., monthly/quarterly/annually) are prepared in time and in the agreed format as adopted for the project and submitted to all stakeholders within the required timelines.
- ✓ Liaise with external auditors to audit the project accounts to meet the required submission dates. Review external auditor's reports (Audit Opinions and management letters), including any qualifications and whether any concerns raised by auditors have been adequately addressed.
- ✓ Process documentation and follow up on disbursements from the Government and World Bank to ensure that releases are not delayed. Ensure that funds for project implementation are disbursed in a timely manner to enable project interventions to be carried out on time.
- ✓ Review eligibility of expenditure in accordance with the financing agreement
- ✓ Ensure relevant books and records are maintained for the project.
- ✓ Carry out any other activities that are assigned by the BDF management or the World Bank in regard to financial management of the project.
- ✓ And other financial management related activities as may be required by project management from time to time.
- ✓ Provide training, guidance, and advice on financial management related aspects to the staff of PIU and BDF in general.

Required Competencies & Knowledge
- ✓ Excellent computer skills.
- ✓ Excellent interpersonal and communication skills.
- ✓ Good analytical and negotiation skills; resourcefulness, initiative, maturity of judgment.
- ✓ Ability to establish priorities and to plan, coordinate and monitor own work plan.
- ✓ Ability to work under pressure and meet deadlines.

Qualifications and Experience
- ✓ The candidate should be a qualified professional accountant (CPA, CA, or equivalent membership of an internationally recognized professional accounting institute) with a bachelor's or master's degree in accounting, business, finance, economics, or related subject and at least 5 (five) years' experiences in auditing or financial management. Familiarity with public sector financial management would be an added advantage and having worked with World Bank projects is an added advantage.
- ✓ Proficiency in both written and spoken English language is necessary. Willingness and ability to travel frequently is also required.

(iv) Environmental Specialist

Roles and Responsibilities
Generally, the Environmental Specialist will be responsible for ensuring that Environmental and Social Management System (ESMS) for BDF; and Environmental and Social Management Framework (ESMF), Environmental and Social Commitment Plan (ESCP) and Stakeholder Engagement Plan (SEP) for Access to Finance for Recovery and Resilience are effectively implemented, monitored and reported throughout BDF operations. Specifically, the Environmental Specialist will;
- ✓ Ensure that key departments and countrywide BDF branches have sufficient knowledge and skills to implement the requirements of ESMS, ESMF, ESCP and SEP.

- ✓ Ensure that the requirements of the ESMS, ESMF and SEP are integrated into the PFIs and firms through the participation and sub-loan agreements.
- ✓ Monitor performance and compliance of partner financial institutions (PFIs) with ESMS and ESMF requirements.
- ✓ Ensure compliance and management of environmental issues/risks across BDF.
- ✓ Conduct environmental assessments for project applications and proposals, including initial risk screening, review of concept notes and proposals, site visits.
- ✓ Provide overall endorsements of environmental screening and assessments related to projects applications and proposals.
- ✓ Ensure the coordination and integration of environmental risk management procedures across the organization and provide duly reports to the Project Implementing Unit (PIU) Manager for presentation to the Senior Management team/Chief Executive Officer.
- ✓ Report any major environmental issues to the PIU Manager for presentation to the Senior Management Team
- ✓ Develop & provide quality control of training materials for internal staff and for PFIs & delivery of training on environmental aspects to internal staff and PFIs and maintaining training records.
- ✓ Review and approve BDF's annual environmental performance report to stakeholders (including lenders), environmental assessments and action plans.
- ✓ Conduct environmental monitoring as per requirements in the loan agreement.
- ✓ Ensure that appropriate environmental permits and certificates and management plans are incorporated in each client agreement and are implemented.
- ✓ Supervise financial institutions (FI) portfolio and on-going compliance with the applicable requirements on a regular basis, which may include:
- o Conducting site visits, monitoring the implementation of site specific environmental and social (ES) standards instruments such as environmental and social management plan (ESMP), environmental and social impact assessment (ESIA) or Summary Project Report (SPR)[13] for subprojects as specified in the ESMS and ESMF and adopted ESMS by the partner financial institutions (PFIs), reviewing PFIs' annual reports, and recording PFI's environmental ongoing performance.
- ✓ Resolving environmental issues in case of non-compliance, and where needed, preparing a time-bound corrective action plan with specific follow-up procedures.
- ✓ Handle any other duties as directed by the PIU Manager.

Required Competencies & Knowledge

- ✓ Excellent computer skills.
- ✓ Excellent interpersonal and communication skills.
- ✓ Good analytical and negotiation skills; resourcefulness, initiative, maturity of judgment.
- ✓ Ability to establish priorities and to plan, coordinate and monitor own work plan.
- ✓ Ability to work under pressure and meet deadlines.

Qualifications and Experience

- ✓ Must have at least a bachelor's Degree in Environmental science, environmental Economics/ Management, or any other related discipline with 5 years working experience in the same field or a master's degree in the mentioned disciplines with 3 years' work experience.
- ✓ The incumbent must have worked with world bank funded projects or any other development partner funded project with strong knowledge of environmental issues and safeguards, monitoring and reporting guidelines.

[13] Summary Project Report (SPR) is a summary of environmental and social screening report for subprojects, comprising screening checklist, risks classification and proposed site-specific ESSs instrument for each proposed subproject, among others.

(v) Social Specialist

Roles and Responsibilities

Generally, the Social Specialist will be responsible for ensuring that social aspects in the Environmental and Social Management System (ESMS) for BDF; and Environmental and Social Management Framework (ESMF), Environmental and Social Commitment Plan (ESCP) and Stakeholder Engagement Plan (SEP) for Access to Finance for Recovery and Resilience are effectively implemented, monitored and reported throughout BDF operations. But specifically, the Social Specialist will do the following:

- ✓ Oversee all aspects of the implementation of the Labor Management Procedures (LMP), including ensuring contractors compliance.
- ✓ Review the BDF Human Resources (HR) Policy to address all LMP aspects as well as for procurement for services and works.
- ✓ Ensure the day-to-day compliance with specified safety measures and records of any incidents.
- ✓ Report minor incidents of Occupational Health and Safety (OHS) to HR department monthly and report serious incidents immediately to the World Bank.
- ✓ Keep records to ensure that labor conditions are met in accordance with national OHS regulations.
- ✓ Review records against actuals monthly and require immediate remedial actions and include them in the periodic reports to the World Bank.
- ✓ Ensure that a Labor Grievance Redress Mechanism (GRM) and Grievance Redress Committee (GRC) are established and operationalized within the BDF and are communicated to the staff.
- ✓ Review records on any grievance registered and treated monthly.
- ✓ Prepare Monthly grievance management reports and share with line manager.
- ✓ Ensure that the HR policy and manual does not include any process that could be reported as a sexual or other form of discriminations or exclusions in its process of recruitment and staff access to wages, awards and professional benefits.
- ✓ Ensure that the assigned workers are adequately trained and briefed with overall safety arrangement, use of equipment, GRM procedure, working conditions.
- ✓ Participate in Social screening of funding proposals from SACCOs and other beneficiaries as well, to review grievance redress mechanisms.
- ✓ Ensure inclusion of vulnerable potential beneficiaries in the access to funding including women, people with disability and the youth during proposal evaluation.
- ✓ Closely follow up the integration of social safeguard assessment information and completion of safeguards self-screening Checklist during the project/program development process.
- ✓ Provide technical support during proposal development, project design, appraisal process and resource mobilization plan.
- ✓ Closely aid and deliver training to the teams and beneficiaries to close knowledge/skill gaps and minimize the likelihood of risks to happen to projects.
- ✓ Assist in the development process of Social Safeguards guidelines in consultation with BDF management, to be used by line department/unit in the plan and implementation process of financed projects.
- ✓ Undertake Social risk categorization of proposals submitted to BDF and projects under implementation.
- ✓ Undertake follow up monitoring to ensure that proposed mitigation measures are implemented according to an agreed upon social issues mitigation implementation plan.
- ✓ Prepare social issues safeguards plan and ensure that such plans are approved by relevant authorities before implementation.
- ✓ Lead on developing and delivering a series of spot checks to ensure safeguards policies are properly implemented in line with the guidelines.

- ✓ Compile quarterly, biannual, and annual reports on safeguards related issues as part of the M&E report.
- ✓ Provide advice on administrative measures and actions required for ensuring the compliance with requirements set regarding social issues safeguard measures prior to the validation and implementation of the project activities.
- ✓ Analyze Social developments and provide technical and substantive support in implementation.
- ✓ Handle any other duties as directed by the PIU Manager.

Required Competencies & Knowledge
- ✓ Excellent computer skills.
- ✓ Excellent interpersonal and communication skills.
- ✓ Good analytical and negotiation skills; resourcefulness, initiative, maturity of judgment.
- ✓ Ability to establish priorities and to plan, coordinate and monitor own work plan.
- ✓ Ability to work under pressure and meet deadlines.

Qualifications and Experience
- ✓ Must have at least a bachelor's degree in Social Sciences, Economics/ Management, or any other related discipline with 5 years working experience in the same field or a master's degree in the mentioned disciplines with 3 years' working experience.
- ✓ The incumbent must have worked with world bank funded projects or any other development partner funded projects with strong knowledge of social issues and safeguards, monitoring and reporting guidelines.

(vi) Bridge Lending Window Coordinator

Roles and Responsibilities
The Bridge Lending Window (BLW) Coordinator is expected to perform a full range of administrative and operational duties regarding the BLW. Specifically, the BLW Coordinator will do the following:
- ✓ Establish the BLW eligibility requirements, operational and reporting procedures, and systems. This will include a review of internal BDF rules and regulations in regard to the extension of credit to ensure alignment of the BLW with existing procedures and articulate the eligibility criteria for accessing the BLW.
- ✓ Assess applications submitted to BDF by the banks and microfinance institutions (MFIs) for the MSMEs that have been affected by unprecedented events and need short term bridge loans.
- ✓ Develop and manage the insurance backstop product from private (re)insurance companies to protect BLW's capital from depletion. This will include reviewing eligible insurance products available in Rwanda, collaborating with an insurance broker to support the structuring and procuring of a backstop product, and working with the insurance companies to oversee payouts into the BLW following severe shock periods/scenarios.
- ✓ Develop contract modalities between the various stakeholders involved in the BLW scheme.
- ✓ Participate in the planning, budgeting, and implementation of the bridge lending process through partner financial institutions (PFIs) including reporting on the projects financed through BLW.
- ✓ Develop proposal for data/indicators upon which to base disbursement decisions from the BLW.
- ✓ Develop mechanisms to increase awareness of the BLW among financial institutions and strengthen the working relationship with them.
- ✓ Conduct capacity building activities and provide technical assistance to PFIs on the BLW product and processes.

- ✓ Prepare, as per World Bank guidelines, monthly, quarterly, and annual status reports on financed MSMEs through BLW from different PFIs.
- ✓ Ensure that the banks and MFIs comply with BLW repayment schedules as stipulated in the participation agreement.
- ✓ Conduct internal control reviews and statements of bridge lending in conjunction with claims and disbursements eligibilities.
- ✓ Participate and provide feedback on audit reports/queries that may arise and work with the PIU to address queries regarding bridge lending where necessary and prepare appropriate letters for communication with the project implementing agencies.
- ✓ Perform any other duty as assigned by the supervisor.

Qualifications and Competencies
- ✓ At least a bachelor's degree in agri-business, agriculture economics, business management, finance and accounting, or business law from a reputable higher learning institution.
- ✓ A master's degree in either of the above-stated disciplines is an added advantage.
- ✓ Excellent computer skills.
- ✓ Excellent interpersonal and communication skills.
- ✓ Good analytical and negotiation skills; resourcefulness, initiative, maturity of judgment.
- ✓ Ability to establish priorities and to plan, coordinate, and monitor own work plan.
- ✓ Ability to work under pressure and meet deadlines.

Specific Experience
- ✓ Extensive knowledge and at least 15 years of experience in public or corporate finance sector development, risk management, or consulting.
- ✓ At least 5 years of experience in a senior management level position, with responsibilities in the design, planning and implementation of large-scale financial products.
- ✓ Substantial understanding of, and experience in, the private sector business environment, ideally in the agriculture and/or MSME sector (incl. rural business development, agriculture finance, micro finance and marketing, competitiveness, and value chain analysis).
- ✓ Excellent understanding of disaster risk management and risk financing policies and programs. Ideally experience in drought risk assessment and modelling (incl. analytical and research skills in hazard and vulnerability analysis).
- ✓ Experience in working with Ministry of Finance and/or Central Bank counterparts in the areas of financial policy, financial stability, long-term finance, and risk management (incl. expertise about public finance budget processes, accounting procedures, and reporting).
- ✓ Understanding of the function of and experience in carrying out institutional oversight and accountability function, including grievance mechanisms.
- ✓ Demonstrated ability to establish trust and create partnerships with government officials and private sector clients in emerging markets to ensure a collaborative approach to design and implementation of customized financial solutions that achieve development objectives.
- ✓ Ability to work constructively and collaboratively with diverse stakeholders on a range of sensitive issues, and to anticipate, manage and respond to divergent views.

22.2 Financial management

BDF has a department charged with financial management. There is a manual governing aspect of financial management and accounting. The BDF financial accounting follows international accounting standards and international financial reporting standards. Financial management under AFIRR project will follow the same standards. However, some amendments will be done to consider the specific financial management requirements of the World Bank on disbursement and reporting.

22.2.1 Planning and budgeting

BDF's planning and budgeting for the project will follow GoR's planning and budgeting procedures. BDF will prepare budgets based on approved annual work plans and will submit those budgets for consolidation by MINECOFIN. Budget preparation will be in line with the government budget calendar issued every year by MINECOFIN. For the purpose of monitoring budget absorption, BDF will submit the monthly reports to MINECOFIN for consolidation and quarterly submission to the World Bank.

22.2.2 Internal controls

BDF has an internal control system enabled by a fully functioning governance structure with Board of Directors and management. The Board of Directors has three active Board committees; (i) Board Audit and Risk Committee; (ii) Board Investment Committee; (iii) Board Nomination and Remuneration Committee. Board Audit and Risk Committee's function is to assist the Board of Directors in carrying out its responsibilities in matters of financial reporting and audits, including internal controls, risk management and compliance with laws and regulations. Board Investment Committee oversees the Board's responsibilities relating to the financial affairs of the Company and to make recommendations to the Board in connection with the Company's investment guidelines, investment asset allocations and financing activities. There is also Audit and risk units in charge of providing independent assurance that an organization's risk management, and internal control processes are operating effectively.

The senior management is responsible for implementing strategies and policies approved by the board; developing processes that identify, measure, monitor and control risks incurred by BDF. BDF organizational structure clearly assigns responsibility, authority and reporting relationships and promotes a clear segregation of duties; the senior management sets appropriate internal control policies which are approved by the Board and monitors the adequacy and effectiveness of the internal control system.

Internal audit function plays a vital role in ensuring that internal controls are kept on checks and periodic reporting to the senior management and Board of Directors is done on the effectiveness of the internal control system

(i) Authorization

(a) The authority of any person holding a position shown in the BDF signature authorization matrix applies only to that person's area of responsibility, and represents the maximum authority of that person to commit BDF
(b) BDF's signature authorization matrix contains a listing of the most common type of commitments, instruments, expenditure and the appropriate signature level required
(c) Unless otherwise noted, if more than one party has the same authority/responsibility and one is not designated as a backup, then both or all are required to take action
(d) During a BDF authorized signer's absence from the office, a signature may be obtained from the individual at the next higher level. Alternatively, another company may be designated, by writing, by the authorized signer
(e) The company originator of a purchase requisition is responsible for obtaining all authorizing signatures.

BDF will document physical evidence of approved transactions, commitments, report, certifications and other instruments. Documentation of the approval shall be provided by signature on the document or from the printed copy of an email showing approval.

The internal audit unit in BDF will conduct biannual reviews of project activities and submit reports to the project management team and to the World Bank during ISMs. A dedicated Financial Management Specialist for this project will be recruited in BDF to ensure effective financial management oversight including timely financial reporting.

22.2.3 Accounting and financial reporting

The BDF's financial records shall be maintained using the existing financial management system, which shall be modified to accommodate any special financial reporting requirements prescribed by the Bank.

BDF will prepare and submit quarterly interim financial reports to the Bank within forty-five (45) days after the end of the quarter. The interim financial reports will be used to monitor project financial progress including the rate of budget execution and level of disbursements.

BDF will prepare annual project financial statements, which will be submitted for external audit within three (3) months after the financial year-end. Financial Reports shall at a minimum include:
(a) Consolidated Sources and Uses of Funds (revenues and expenditures statement)
(b) Consolidated Financial Position statement
(c) Consolidated Cash flow statement
(d) Consolidated Budget execution report
(e) Project account (PA) activity statement
(f) Notes on accounting policies
(g) Appendices

Table 8: Financial Reporting Plan

Financial Management Activity	Frequency	Outputs
Desk reviews		
Interim Financial Reports (IFRs) review	Quarterly	Interim Financial statements review report
Audit report review	Annually	Audit review report
Internal audit of project activities	Twice a year	Internal Audit review report
Review of other relevant information such as internal control systems reports	Continuous as they become available	Financial management review report
On-site visits		
Review of overall operation of the financial management system including internal controls.	Twice every year (as part of Implementation Support Missions)	Financial management review report
Monitoring of actions taken on issues highlighted in audit reports, auditors' management letters, internal audit and other reports	As needed	Financial management review report

Financial Management Activity	Frequency	Outputs
Transaction reviews (if needed)	Annually or as needed	Financial management review report
Capacity building support		
Financial management training sessions	By effectiveness and thereafter as needed	Training sessions held

22.2.4 External audit

The activities to be managed by BDF shall be subject to external audit by Private Audit Firms that are regulated by the Institute of Certified Public Accountants of Rwanda. The terms of reference for the Private Auditors shall be acceptable to the World Bank. The audit reports and management letters will be submitted to the World Bank within 6 months after the financial year-end.

The audit reports will be publicly disclosed in accordance with the Bank Access to Information Policy.

Upon receipt of the audit reports, BDF shall prepare an action plan to address the audit findings. Follow up on the implementation of audit recommendations will be conducted as part of regular Bank financial management supervision missions and quarterly review of interim financial reports (IFRs).

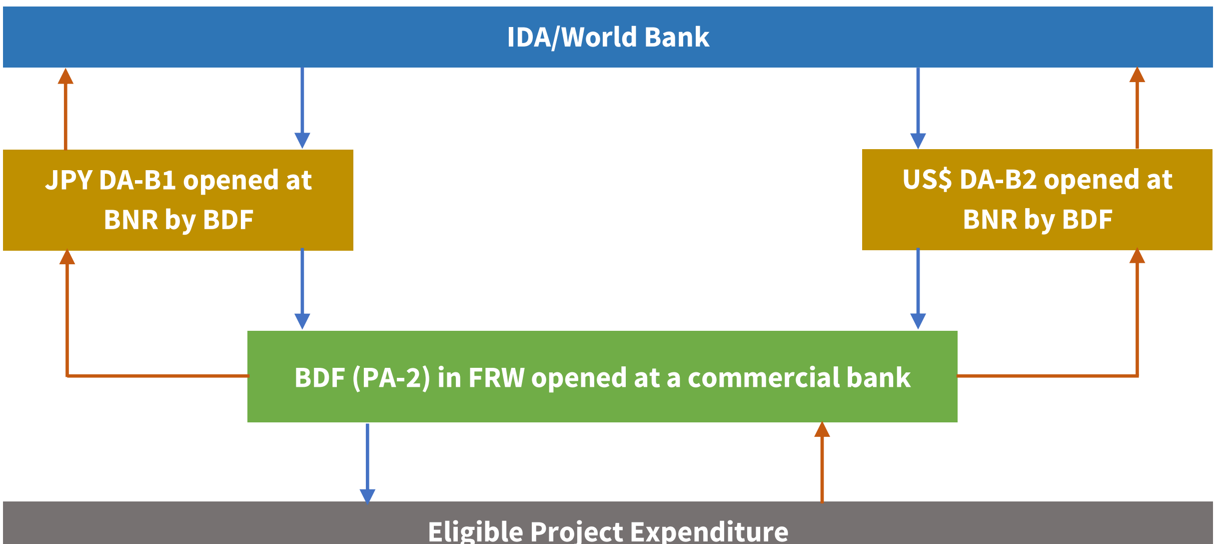
22.3 Funds flow arrangements

BDF shall maintain 2 DAs one in JYP and another in USD at BNR. BDF shall also maintain a Project Account designated in FRW in a commercial bank approved by the World Bank. Funds will flow directly from the World Bank to the DAs at BNR following a Withdrawal Application. BDF's PA shall maintain funds relating to Subcomponent 1.1 - Microbusinesses Credit line, Component 2 - Risk-sharing facility, and Component 3. Disbursements will follow the Interim Financial Report-based method. However, the project may also use direct payments, transaction-based Statement of Expenditure method, reimbursement and special commitments depending on the case.

Contracts denominated in US$ will be settled from the DA or via direct payment from the Bank. Upon effectiveness, BDF will submit to the Bank, a request for withdrawal of funds accompanied by six months' cash forecast.

Based on the request, the Bank will transfer the proceeds of the loan/grant to the DA. Subsequent replenishment of the DA will be based on the submission of application for withdrawal accompanied by a Statement of Expenditure.

Figure 10: Flow of Funds Arrangements



22.4 Procurement

Procurement for the proposed project will be carried out in accordance with the 'World Bank Procurement Regulations for Borrowers under Investment Project Financing', dated July 1, 2016, and updated November 2017 and Nov. 2020, hereafter referred to as 'Procurement Regulations'. The project will be subject to the World Bank's Anticorruption Guidelines, dated July 1, 2016, and beneficiary disclosure requirements. All contracts falling under the national market approach shall follow the procedures set out in BRD and BDF procurement policies and procurement standard operating procedures. In case there will be discrepancy between the World Bank Regulation and implementing agencies procurement policies and procurement standard operating procedures, the WB procurement regulation shall prevail.

The AFIRR Implementing agencies as well as contractors, suppliers and consultants shall follow the highest standards of ethics during procurement and execution of contracts financed under AFIRR. The procurement units of the implementing agencies will be responsible for implementation of their procurement plans. In addition, they will have to monitor procurement planning for component/subcomponent activities of which they are responsible and provide the consolidated procurement plans and reports.
The procurement policies and procurement standard operating procedures also establishes the institutional arrangement at a procuring entity level, including; (i) Chief Budget Manager; (ii) Procurement Unit (PU); and (iii) Tender Committee. The Chief Budget Manager approves reports of the Tender Committee and signs the contract on behalf of the procuring entity.

Procurement Regulations will be applicable to the procurement of Goods, Works, Non-consulting Services and Consulting Services. The rights and obligations of the Borrower and the providers of Goods, Works, Non-consulting Services and Consulting Services for IPF operations are governed by the relevant request for bids/request for proposals document and by the contracts signed by the Borrower and the providers of Goods, Works, Non-consulting Services, and Consulting Services, and not by these Procurement Regulations or the Legal Agreement. It is within this framework that no party other than the parties to the Legal Agreement shall derive any rights from or have any claim to financing proceeds.

22.4.1 World Bank Anti-Corruption Guidelines

The Project will be subject to the World Bank's Anticorruption Guidelines, dated July 1, 2016. Hence, the borrower should apply and comply with the Bank's Anti-Corruption Guidelines without limitation of Bank's rights to sanctions, inspection and audit. This implies that any complaint that includes allegations of Fraud or Corruption may require special treatment, so that the Borrower and the Bank shall consult to determine any additional actions that may be necessary.

All procurement entities as well as bidders, consultants, contractors and suppliers; any sub-contractors, sub-consultants, service providers; any agents (whether declared or not); and any of their personnel, observe the highest standard of ethics during the procurement process, selection and contract execution of Bank-funded project, and refrain from Fraud and Corruption in accordance with Annex IV of the World Bank Procurement Regulations.

In order to be in compliance with the Country's laws against fraud and corruption (including bribery), the GoR may introduce into the request for bids/request for proposal document for contracts financed by the Bank, a requirement that the bidder or consultant include in the bid or proposal an undertaking of the bidder or consultant to observe laws that have been identified in the request for bids/request for proposal documents, during the procurement process.
Within the context of effective implementation of the AFIRR project, delivering some activities will require procurement process.

22.4.2 Procurement objectives

The following are the Procurement Objectives:

- To ensure an open, transparent and compliant process.
- To achieve continuous improvement on all categories of expenditure through a transparent and fair procurement process.
- To achieve Value for Money in all procurement activities.
- To promote equality of opportunity for all businesses and in particular SMEs.
- To work in partnership with the private sector and other organizations to achieve value for money, quality and effective service delivery.
- To promote innovation.
- To encourage environmental and social sustainability through effective procurement.

22.4.3 Services to be procured

The following activities will be carried out under component 3 *"Institutional Strengthening and Implementation Support"* and have been included in the procurement plan for the project.

(i) Hiring an international expert to undertake guarantee product review (model, procedures, pricing structure, etc…)
(ii) Carrying out an extended survey on PFI satisfaction and development of the satisfaction index
(iii) Hiring a legal/finance expert to review MOU
(iv) Hiring an Integrated MIS&M&E System provider
(v) Technical support in service delivery, process review and improvement
(vi) Expert for Bridge Lending Window Product development, product prototype test, product launch
(vii) Consultancy service to conduct needs assessment and development of comprehensive capacity building program
(viii) Consultancy service to develop and implement training modules and manuals
(ix) Individual Consultancy for provision of BDS (2)
(x) Expansion of BDS delivery mechanism
(xi) Recruitment of E&S specialists (2)

(xii) Recruitment of Project Officer
(xiii) Recruitment of Financial management specialist
(xiv) Recruitment of Project Officer
(xv) Recruitment of Financial Management Specialist
(xvi) Recruitment of Procurement Specialist
(xvii) Recruitment of Bridge Lending Window Coordinator

22.4.4 Systematic Tracking and Exchanges in Procurement (STEP)

In accordance with paragraph 5.9 of the "World Bank Procurement Regulations for IPF Borrowers" (July 2016) ("Procurement Regulations") the Bank's Systematic Tracking and Exchanges in Procurement (STEP) system will be used to prepare, clear and update Procurement Plans and conduct all procurement transactions for the Project.

This is used to enable auto publication of approved procurement plan, publication notices and contract award information. It is through the STEP that all activities under procurement will be submitted to the World Bank for clearance. As the E-Procurement System is applied to all public institutions which are required to procure goods, services and works through this system, the public procurement process is automated by it. This also enables the interactions of Government to business services. The E-Procurement system will be therefore applied to BDF part of the AFIRR procurement.

22.4.5 Main Procurement Requirements

For each item to be procured, the procurement process will be based on following documents governing Project procurement:

- Financing Agreement;
- Rwanda Public procurement laws
- The Bank's Procurement Regulations;
- Project Appraisal Document;
- The Procurement Plan;
- Project Procurement Strategy for Development;
- Project Implementation Manual.

All procurement methods and procedures under the project must be consistent with the provisions of the Bank's Regulation. Any procurement procedures that are inconsistent with the Bank Regulations will not be acceptable and may trigger declaration of mis-procurement. Procurement methods to be used are only the ones indicated in the Financing Agreement and PPSD.

The use of the Bank's Standard Bidding Documents for International Competitive Bidding (ICB) and the Bank's Standard Request for proposals and contract documents for Consulting Services will guide and support the procurement process; while for national Competitive Bidding, the national standard documents may be used. Otherwise, the Bank's SBDs will be used. As for bid and proposal evaluation, the Bank's standard evaluation forms should be used.

22.4.6 Procurement Procedures and Methods

(i) National Procurement Procedures

According to the WB Procurement Regulations (paragraph 5.3); as agreed in the procurement plan; when approaching the national market, the national procurement procedures should be used. In the case of AFIRR project, BDF own procurement procedures are used when approaching the national market. National open competitive procurement and other national procurement arrangements (other than national open competitive procurement) will be applied by the Borrower, provided those methods are consistent with methods available in procurement regulation and STEP system and shall be consistent with the Bank's Core Procurement Principles and ensure that the Bank's Anti-Corruption Guidelines and Sanctions Framework and contractual remedies set out in its Legal Agreement apply.

(ii) Procurement Methods and Procedures

Each activity reflected in the annual Procurement Plan will be procured by identifying from the Approved Selection Method that best fits the requirements and enables it to achieve Value for Money. The procurement methods and the procedures that will be used are Request for Proposals (RFP), Requests for Bids (RFB), Request for Quotations (RFQ) and Direct Selection for works, goods. For consultancy service, Quality Cost Based Selection (QCBS) will be used as default and other selection method detailed in World Bank Procurement Regulations.

(a) Procurement of Works, Goods and Equipment

Procurement of works, *Goods and Equipment,* will be done using National Competitive Bidding (NCB), International Competitive Bidding (ICB) request for quotation and Direct Contracting procedures as detailed in section VI of the World Bank Procurement Regulations for IPF Borrowers, 2016, as revised Nov. 2020. When the procurement to be undertaken are for small value works, the request for quotation procedures will be applied. The request for quotation will indicate specification of works as well as the delivery/completion time and the contract award will be based on comparing price quotations from several qualified contractors, with a minimum of three, to ensure competition. When the value of the contract of such works exceeds the request for quotation threshold and when procured through NCB procedures, the national Standard Bidding Documents (SBDs) issued by or endorsed by the implementing agencies, if any, and acceptable to the World Bank, will be used. Otherwise, Bank Standard Procurements Can be of use including when approaching national market. Direct contracting shall be used where it is to the benefit of the project and in accordance with the Procurement Regulations. Procurements while approaching the national market will be done using the national SBDs (BDF own SBD, if any) with an additional annex to address the World Bank's Anti-Corruption Guidelines and to ensure universal eligibility

(b) Procurement of consultancy services

Project consulting services which will be reflected in the annual Procurement Plan shall include Quality and Cost Based Selection (QCBS), Quality-Based Selection (QBS), Least-Cost Selection (LCS), Consultant Qualifications Selection (CQS), and Individual Consultants (IC). The types of consultancy services that are provided under the project are indicated in the Procurement Plan. Given that procurement methods to be used are specified in the PPSD, firms and individuals would be selected using Request for Expression of Interest, shortlisting of consultants and the Bank's Standard Request for Proposals (SRFP). Consulting services to be procured under the project and procurement methods to be used are specified in the PPSD. Any staff required for project implementation support will be selected following project implementation support personnel, as stated in the paragraph 7.32 of Procurement Regulations.

(c) Operating costs

These items will be used in supporting operations (fuel, office supplies, and consumables) of the Project implementing agencies to support implementation and ensure its progress. They will be procured using the borrower's procurement and administrative procedures acceptable to the World Bank including selection of project implementation support personnel not identified as consultant. The borrower will also pay for costs associated with any resettlement, land acquisition, compensation, and relocation of services. This will be executed by the Project beneficiary entity, i.e. BDF.

22.5 Procurement Planning and Monitoring

AFIRR Project procurement will be performed in accordance with World Bank Procurement Regulations for Borrowers under Investment Project Financing, and new Procurement Framework (NPF) for the WB dated July 1, 2016, revised November 2020. It is within the Procurement Plan that the various items under different expenditure categories are described. In order to reflect the actual project implementation needs and improvements in institutional capacity, the Procurement Plan will be updated at least annually or as required. For each activity to be contracted under World Bank financing, the different procurement methods or consultant selection methods, estimated costs, post & prior review requirements, and timeframe will be agreed between the Project and the World Bank.

22.6 Procurement Implementation

For each activity or item to be procured, different steps are to be undertaken from the tender preparation phase to the disclosure of procurement information as detailed below:

22.6.1 Tender preparation

The preparation of any tender implies:

(a) Identification of the needs based on the Feasibility Studies;
(b) Trace the needs to the procurement plan;
(c) Preparation of a complete tender document;
(d) Assessment and review of tender documents by technical team;
(e) Publication of Requests for Expressions of Interest (REOI), Request for Proposals (RFP), Invitation For Bid (IFB), RFQ in wide circulation local and international newspapers.

22.6.2 Advertising

The implementing agencies as applicable shall prepare General Procurement Notices and publish them. Each General Procurement Notice shall include all ICB for works, goods and non-consulting services contracts and all large consulting contracts (i.e. those estimated to cost USD 300,000 or more). REOI and IFB of NCB shall be advertised in UNDB online and WB external website and widely circulated national/regional newspapers for consulting services expected to cost more than USD300,000. A REOI i and IFB of NCB s required in the national gazette, a national newspaper, or an electronic portal of free access for all consulting firm services regardless of the contract amount. In the case of NCB, a specific procurement notice will be published in the national gazette, a national newspaper, or an electronic portal of free access. Contract awards will also be published on the Borrower's website with free access, or, if not available, in at least one newspaper of national circulation in the Borrower's country, or in the official gazette; while in the case of international competitive procurement, contracts award notice will be published by the Borrower in UNDB online and WB external website in accordance with the World Bank Procurement Regulations (paragraph 5.95).

22.6.3 Submission of Tenders

This step must be followed as recommended below:

(a) Potential bidders may get into contact with the respective implementing entity for any clarifications.

(b) Any modifications shall be communicated to all bidders.

(c) The cost of the tender document, if any, shall be reasonable not to discourage competitors.

(d) Submission of the tenders/bids must be in sealed envelopes at the place and time specified in the tender document.

(e) Bid opening must be a public session. The following elements have to be announced publicly and recorded:

- The name and address of every entrepreneur whose bid is opened, the cost of the bid and any other option related to it, shall be announced publicly and recorded at the time of opening.
- Bids received after the submission deadline will be rejected and sent back to the bidders without having been opened.
- Opening of bids for services is done in two part: in the first part only technical bids are opened; the second part is opening financial bids for only technically qualified bidders.

22.6.4 Evaluation of Tenders/Bids/Proposals

At this step, there's need of Public Tender Committee for each Project implementing agency which will be responsible for the bids/proposals opening, evaluation and recommendation for contract award. Where there is no Public Tender Committee, the implementing agency shall appoint such. The evaluation of bids must be based on the criteria specified in the tender document, and shall mainly be based on the following points:

- Conformity of the bid/proposal to the selection criteria and qualifications requirements;
- Bids/proposals shall be duly signed, dated and sealed;
- Tenders accompanied by the required guarantees, relevant bids, essentially including possible material modifications or reservations to the ToR or to technical specifications.

The contract will be awarded to the bidder/consultant whose bid/proposal will have been rated the best. The Tender evaluation committee may inquire for clarification from bidder(s)/consultant(s) during the evaluation. This clarification must not change the substance of the bid/proposal.

22.6.5 Tender Notification

All bidders shall be notified; through the contact address provided; of the outcome of the bid evaluation. A notification should be sent to each bidder/proposer who submitted a bid/proposal, unless the bidder/proposer has previously received notification of exclusion from the process at an interim stage of the procurement process (WB Proc. Regulations; paragraph 5.72).

22.6.6 Contract arrangement and management

During the contract negotiation, overall clarifications and minor modifications may be discussed and agreed; of which minutes are going to be taken and signed by all parties present in the negotiations. Once this is done, the contract will be prepared and signed. The contract implementation shall be closely monitored, and include compliance with timelines, site inspection reports, technical, provisional and final reception of works, payment, and the validity period of the guarantee and the management of movable assets.

The contract management is key to ensure that all parties meet their obligations and the contract is delivered in a timely manner, cost efficient and as per the specification. However, as stated in WB Procurement Regulations (paragraph 2.3); for contracts that are not financed by the Bank; but are included in the scope of a Bank-financed project, the Borrower may adopt other procurement rules and procedures if the Bank is satisfied with that:

(a) the rules and procedures will fulfill the borrower's obligations to carry out the project diligently and efficiently; and
(b) the Goods, Works, Non-consulting Services or Consulting Services to be procured are/will be:
    (i) Specified to a satisfactory quality, are compatible with the other elements of the project, and are consistent with the project objectives;
    (ii) Delivered or completed in a timely manner; and
    (iii) Priced so as not to have an adverse effect on the economic and financial viability of the project.

22.6.7 Complaint Handling

Complaints related procurements under national market approach are handled following provisions of the BRD and BDF procurement policy and procedures. Procurement policy and procedures of BDF are well equipped in terms of complaint handling mechanism. Considered as the bedrock of Project implementation, the procurement will be carried out in timely and fair manner by avoiding any bottleneck that should disrupt and delay the project. All procurement-related complaints will be pointed out at the appropriate stage of procurement process; and then promptly and fairly addressed in line with the Section 3 of World Bank Procurement Regulations. Complaints related to all procurements undertaken using international market approach are handled following provisions of WB procurement regulation.

Complaint review requirement

The acceptance of request for review shall be justified by a specific act of omission or commission contravening the law on public procurement or other procurement regulations. The complainant should show the injustice committed against him/her resulting from the contested decision, and the appeal shall be done in writing. Each request for review shall include the following:

(a) Identification of the complainant: names address and telephone number;
(b) Identification of the procuring entity;
(c) Decision against which the review is requested;
(d) Date on which the decision was taken and when the complainant became aware of it;

(e) The organ to which the review is addressed;
(f) Signature or thumb print of the applicant;
(g) Payment slip for appeal fee 8 copy of trading license.

Once the complaint is lodged, the procurement proceedings shall be suspended until a decision on the undertaken complaint is issued. If the procuring entity considers that a suspension of the procurement proceedings would not be in public interest, it shall waiver the suspension subject to Bank's agreement.

22.6.8 Disclosure of procurement information

The project will proactively disclose the following documents on a regular basis to be updated under project webpages on the websites of the implementing agencies:
(a) Procurement Plan and updates;
(b) Invitation for bids for goods and works for all contracts;
(c) Request for Expression of Interest for selection/hiring of consulting services;
(d) Contract awards of goods, works, and non-consulting and consulting services;
(e) Monthly financial and physical progress report of all contracts; and
(f) Action-taken report on the complaints received on a quarterly basis.

The following details shall also be published in the UNDB online and the World Bank's external website:
(a) Invitation for bids for procurement of goods and works following open international market approaches;
(b) Request for Expression of Interest for selection of consulting services following open international market approaches, and
(c) Contract award details of all procurement of goods and works and selection of consultants using open international market approaches.

22.7 Procurement Prior and Post Review

Prior review of high-value and high-risk procurement processes will be undertaken by the Bank in order to determine whether they are carried out in accordance with the provisions of the Financing Agreement. This should lead to obtaining a "no objection" from the World Bank for the development of each of the stages of the procedures subject to prior review. The paragraph 4.1 of WB Procurement Regulations recommends that the Bank will also carry out post reviews of procurement activities undertaken by the Borrower to determine whether they comply with the requirements of the Legal Agreement.

The Bank may use a third party such as a supreme audit institution, acceptable to the Bank, to carry out post reviews. Any such third party shall carryout the reviews in accordance with the terms of reference (ToR) provided to it by the Bank. Given that the Procurement Plan will set forth for contracts which shall be subject to the World Bank's Prior Review, other contracts shall be subject to Post Review by the World Bank. As stated by the WB Procurement Regulations (paragraph 3.1), the Bank sets mandatory thresholds for prior review based on project procurement risk levels. A summary of prior-review and procurement methods thresholds for the project are shown in the tables below.

Table 9*: Thresholds for Prior Review and Procurement Methods* [14] ***for works and goods***

No	Procurement Method	Subject to prior review	Threshold in US$ per contract
1	Goods and Non-consultancy Services	All contracts	≥4,000,000
2	Works	All contracts	≥15,000,000

Table 10*: Thresholds for Consultants' selection and employment*

No	Selection Method	Subject to prior review	Contract amount (US$ Equivalent)
1	Consulting Services - Firm	All contracts	≥ 2,000,000
2	Consulting Services - IC	All contracts	≥400,000
3	Training (Annual Plan)	All contracts	Regardless of value

The following conditions apply to all procurement activities in the Procurement Plan. The other elements of the Procurement Plan as required under paragraph 4.4 of the Procurement Regulations are set forth in STEP.

Table 11*: Procurement Plan to undertake BDF TA activities*

I	CONSULTANCY SERVICES-BDF					
Ref No.	Description of Assignment	Estimated Cost (USD)	Selection Method	Review by World Bank	Expected Proposal Submission	Expected Contract End Date
1.1	International expert to undertake guarantee product review (model, procedures, pricing structure, etc.…)	50,000	Individual	Post	Aug-21	Nov-21
1.2	Extended survey on PFI satisfaction and development of the satisfaction index	60,000	QCBS	Post	Aug-21	Oct-22
	Legal/finance expert to review MOU	20,000	Individual		Sep-21	Nov-21
1.3	Integrated MIS&M&E System provider	910,000	QCBS	Post	Aug-21	Jun-22
1.4	Technical support in service delivery, process review and improvement	30,000	QCBS	Post	Aug-21	Nov-21
1.5	Bridge Lending Window Product development, product prototype test, product launch	60,000	Individual		Oct-21	Apr-22
1.6	Consultancy service to conduct needs assessment and development of comprehensive capacity building program	50,000	QCBS		Aug-21	Nov-21

[14] **Note**:
(i) Terms of Reference for all contracts shall be cleared by the World Bank, regardless of whether the assignment is for prior or post review. All ICB contracts for goods, works and non-consultancy services and for consultancy services for contracts estimated to cost US$300,000 equivalent and above per contract shall be advertised in UNDB online in addition to advertising in National News Paper(s) of wide circulationn and/or Regional Newspaper (s).
(ii) All ToRs regardless of the value of the contract are subject to World Bank prior review.

1.7	Consultancy service to develop and implement training modules and manuals	20,000	QCBS		Sep-21	Nov-21
1.8	Individual Consultancy for provision of BDS (2)	97,888	Individual		Dec-21	Jun-22
1.9	Expansion of BDS delivery mechanism	60,453	QCBS		Sep-21	Jan-22
2.0	E&S specialists (2)	170,863	Individual		Aug-21	5 years
2.1	Project Officer	85,431	Individual		Aug-21	5 years
2.2	Financial management specialist	85,431	Individual		Aug-21	5 years
2.3	Procurement specialist	85,431	Individual		Aug-21	5 years
2.4	Bridge Lending Window coordinator	85,431	Individual		Aug-21	5 years

The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity
The Procurement Plan, its updates or modifications, shall be subject to World Bank's prior review and no-objection before implementation.

Table 12*: Procurement approach*

Attribute	**Selected arrangement**	**Justification Summary/Logic**
Specifications	Conformance for works and goods and performance for consultancy service	It is possible to set minimum technical requirements to ensure the procurement of the items with the required quality.
Sustainability Requirements	No	No environmental and social impacts are expected
Contract Type	Traditional	Traditional type of contract is appropriate for all categories
Pricing and costing Mechanism	(a) Lump Sum (b) Performance based contracts	• As the quantities of the items to be supplied are known, the Employer would get an advantage of knowing the full extent of cost and liability. • The payments will be measured on outputs that aim at satisfying functional needs in terms of quality, quantity, and reliability
Supplier Relationship	Collaborative	• Long-term commitment based on mutual trust, openness, and transparency. • Agreed shared interests and objectives and win-win approach is possible and necessary
Price Adjustments	None, fixed price	Price adjustment is usually not necessary in contracts involving delivery of Goods but Price adjustment should be applicable for long term contracts (such

Attribute	Selected arrangement	Justification Summary/Logic
		as more than 18 months especially for large works).
Form of Contract Terms and Conditions)	Nonspecific	-
Selection Method	Request for Bid (RFB), Request for Proposal (RFP) Request for Quotation (RFQ) and Direct selection	All methods will be used but the RFB AND RFP will mostly the used methods because of strong competition in the market.
Market Approach	*Type of Competition*: Open, International, national *Number of envelopes*: Single& two envelopes Negotiations (yes)	• Allows for a wider participation of firms to achieve the best fit-for-purpose and Value for money (VfM). • International market approach will be used for relatively large and critical assignments for which international experience is important and beneficial to the project implementation • When the items to be procured could be acquired from the local market, and approaching the national market is adequate. Negotiation will be used for consultancy service.
Pre/Post Qualification	Post qualification	- Bid preparation costs are not expected to be high - Requires relatively shorter tendering period than that through pre-qualification
Evaluation selection method	- Quality Cost Based Selection (QCBS) - Fixed Budget Based Selection (FBS) - Least Cost Based Selection (LCS) - Quality Based Selection (QBS) - Consultant's Qualifications Based - Selection (CQS) - Direct Selection	Quality Cost Based Selection (QCBS) is the default selection method
Domestic Preference	No	The items to be procured are available from the local market
Rated Criteria	Most advantageous	

Thresholds, Procurement Methods, and Prior Review

Table 13*: Methods and Thresholds for Goods, Works, and Non-Consulting Services*

Method of Procurement	Thresholds for Method (US$ equivalent)
Open International (Goods)	Equal to or more than 4 million
Open National (Goods)	< $4 million and > $ 2,500
RFQ (Goods)	Less than $ 2,500
Open International (Works)	Equal to or more than 15 million
Open National (Works) -	Less than 15 million
RFQ (works)	Less than $ 2,500
Open International (Non-consulting Services)	Equal to or more than 4 million
Open National (Non-consulting Services)	Less than 4 million
Direct Contracting	No threshold; meet requirements of Bank's Procurement Regulations
Framework Agreements	All procurement that meets the requirements as per Para 6.57 to 6.59 of Procurement Regulations., and with prior agreement in PP with the Bank. First FA and All other FAs above USD 4 million are subject to prior review by Bank

Selection of Consultants

Procurement of consulting firms: Follows the Approved Selection Methods as reflected in the Section VII of the procurement regulations.

Table 14*: Selection methods of procurement of Consultants' Services (Firms)*

Method of Procurement	Thresholds for Methods
Quality and Cost Based Selection (QCBS)	As per requirements of para 7.3 of the Regulations
Quality Based Selection (QBS)	As per requirements of para 7.8 to 7.10 of the Regulations
Selection based on a Fixed Budget (FBS)	As per requirements of para 7.4 and 7.5 of the Regulations
Selection Based on Least Cost Basis (LCS)	As per requirements of para 7.6 and 7.7 of the Regulations
Selection based on Consultant's Qualification (CQ)	As per requirements of para 7.11 and 7.12 of the Regulations
Direct	Must meet the requirements of Para 7.13 to 7.15 of the Regulations, and with prior agreement in PP with the Bank.

The short list may consist of all National consultants in case the estimated cost is less than USD 300,000 per contract.

Procurement of individual consultants: Follows the Approved Selection Methods as reflected in the Section VII of the procurement regulations.

Table 15: ***Procurement methods for Selection of Individual Consultants (INDIV)***

Method of Procurement	**Thresholds for Methods**
Open Competitive Selection	As per requirements of para 7.36 and 7.37 of the Regulations
Limited Competitive Selection	As per requirements of para 7.38 of the Regulations
Direct	Must meet the requirements of Para 7.39 of the Regulations, and with prior agreement in PP with the Bank

22.8 Environmental and Social Arrangements

To ensure an effective and efficient implementation of its E&S policy, BDF will adhere to the following guiding principles:

(a) Avoid, reduce or mitigate negative environmental, social and climate impacts resulting from its business operations, improve the E&S benefits of its initiatives and integrate E&S aspects/ issues in the project.

(b) Ensure health and safety of its own employees and require its direct contractors, subcontractors, clients and PFIs to implement measures to protect the health and safety of their employees at work.

(c) Avoid forced labor, child labor, gender-based violence (GBV,) sexual exploitation and abuse (SEA), sexual harassment (SH) and gender inequality.

(d) Comply with all relevant environmental, social, health and safety as well as land acquisition policies, laws and regulations of Rwanda and international standards of the Bank's development partners.

(e) Ensure, through the environmental and social impact assessment and monitoring processes, that projects are designed and implemented in accordance with applicable regulatory requirements and international standards.

(f) Pursue a green growth approach to development and commit to mainstream climate-proofing agenda into its planning and budgeting processes in line with the national Green Growth and Climate Resilience Strategy (GGCRS) where Rwanda aspires to be a developed climate-resilient and low-carbon economy by 2050.

(g) Support the capacity development of PFIs and sub-borrowers to manage environmental and social risks through development and implementation of an Environmental and Social Management System (ESMS) at PFI level and site level respectively.

(h) Do not finance projects that have significant and irreversible impacts on social and environmental aspects and without feasible cost-effective mitigation measures.

(i) Promote greater transparency and accountability on E&S issues internally and externally through disclosure and reporting.

Figure 11: ***Key Components of the ESMS***

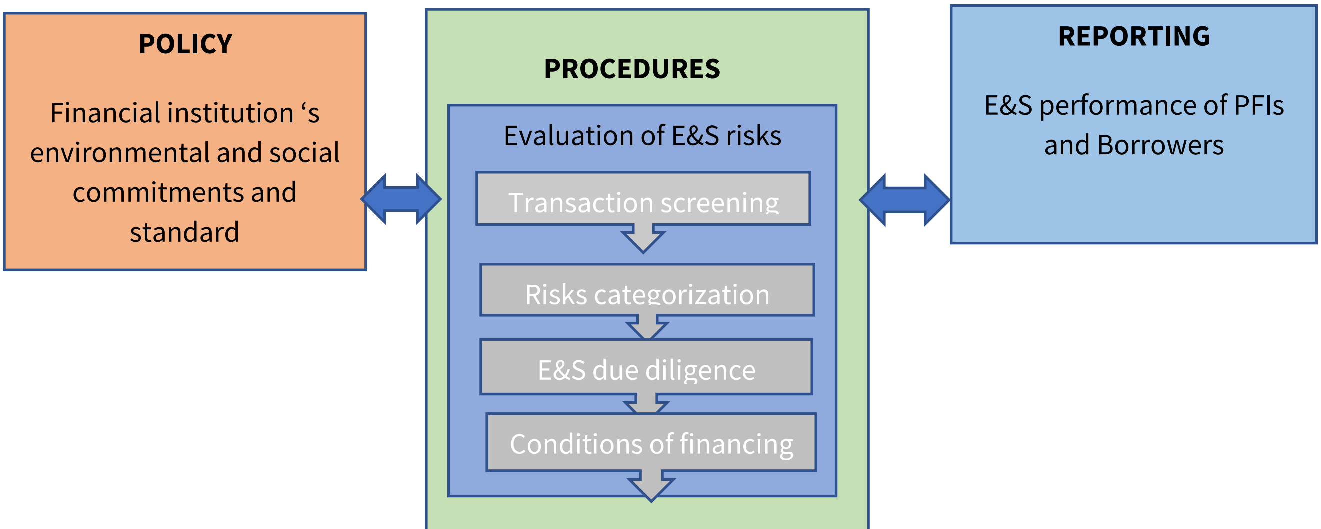
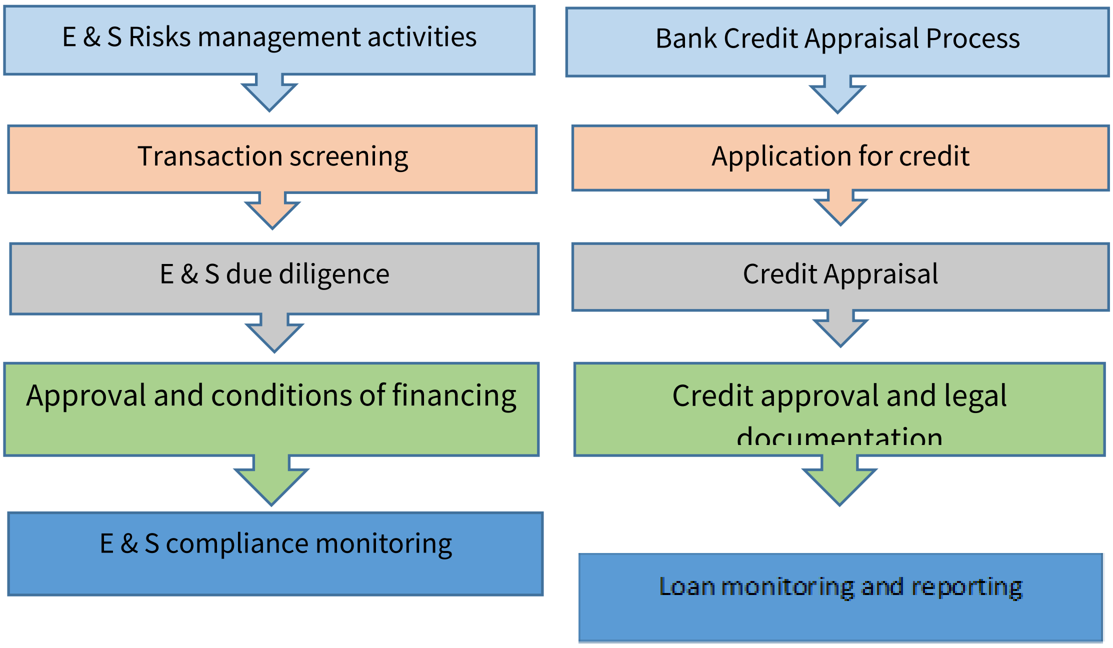


Figure 12: Integrating E&S risk assessment into the BDF management system



22.8.1 Initial E&S screening

Screening is the first step for environmental and social assessment for all projects submitted to both BDF and PFIs for loan application.

All projects seeking funding will be subjected to a mandatory screening which should be done early in the application process by BDF or PFIs to assess their potential environmental and social impacts using the initial E&S screening checklist presented in Annex 4 of the ESMS. The screening will also be conducted against the exclusion list.

The findings of the screening results will serve to ascertain which project requires a full ESIA study, partial ESIA (or ESMP) or not, and will determine funding eligibility of proposed projects.

22.8.2 Direct investment risk categorization

As part of the review of E&S risks and impacts of a proposed investment, BDF will apply an E&S categorization to reflect the magnitude of risks and impacts. The E&S categorization will be based on the outcomes of the initial E&S screening and any further due diligence that may be required as well as the requirements of the applicable national and donor's E&S requirements. The categorization will follow the national EIA guidelines for projects as follow:

(a) **Category 1 (High Risk):** The project is likely to have significant adverse environmental impacts that are sensitive, diverse and unprecedented. A potential impact is considered as significant if it may be irreversible (e.g., lead to loss of a major natural habitat), involve involuntary displacement and resettlement, or affect significant cultural heritage sites. A full Environmental and Social Impact Assessment (ESIA) is required.
(b) **Category-2 (Medium Risk):** The project may result in specific environmental impacts, but these impacts are site specific and few if any of them are irreversible. In most cases, mitigation measures are predetermined based on Performance Standards, Guidelines, or design criteria. Potential adverse environmental impacts on human populations or environmentally important areas are less adverse than those of Category 1 projects. Although a full EIA is not required, environmental assessment focusing on the anticipated impacts is required.
(c) **Category-3 (Low Risk):** The project is likely to have minimal or no adverse environmental impacts. No further environmental assessment is required.

22.8.3 PFI Risk Categorization

The projects to be financed through PFIs will also be screened for their E&S risks before loan approval. The E&S risk rating assigned to each PFI's project will be based on the outcomes of the E&S screening and due diligence of the PFIs' projects.

22.8.4 Environmental and Social Due Diligence

Environmental and social due diligence applies to all BDF's investment activities, both direct investments and investments through PFIs. Legal agreements pertaining to the financing of business activities through BDF's direct investments, as well as legal agreements between BDF and PFIs for financing shall incorporate specific E&S provisions.

22.8.5 Risk Rating of Participating Financial Institutions

Each PFI considered for investments for financing under the "Access to Finance for Recovery and Resilience Project" will be assigned an E & S risk rating by BDF.
(a) **RR-1 (High Risk):** When a PFI's proposed portfolio includes or is expected to include substantial financial exposure to business activities with potential significant adverse E & S risks or impacts.
(b) **RR-2 (Moderate Risk):** When a PFI's proposed portfolio is comprised of, or is expected to be comprised of, business activities that have potential limited adverse E & S risks or impacts that are limited, generally site-specific, largely reversible, and readily addressed through mitigation measures.

(c) **RR-3 (Low Risk):** When a PFI's proposed portfolio includes financial exposure to business activities that predominantly have minimal or no adverse E & S impacts.

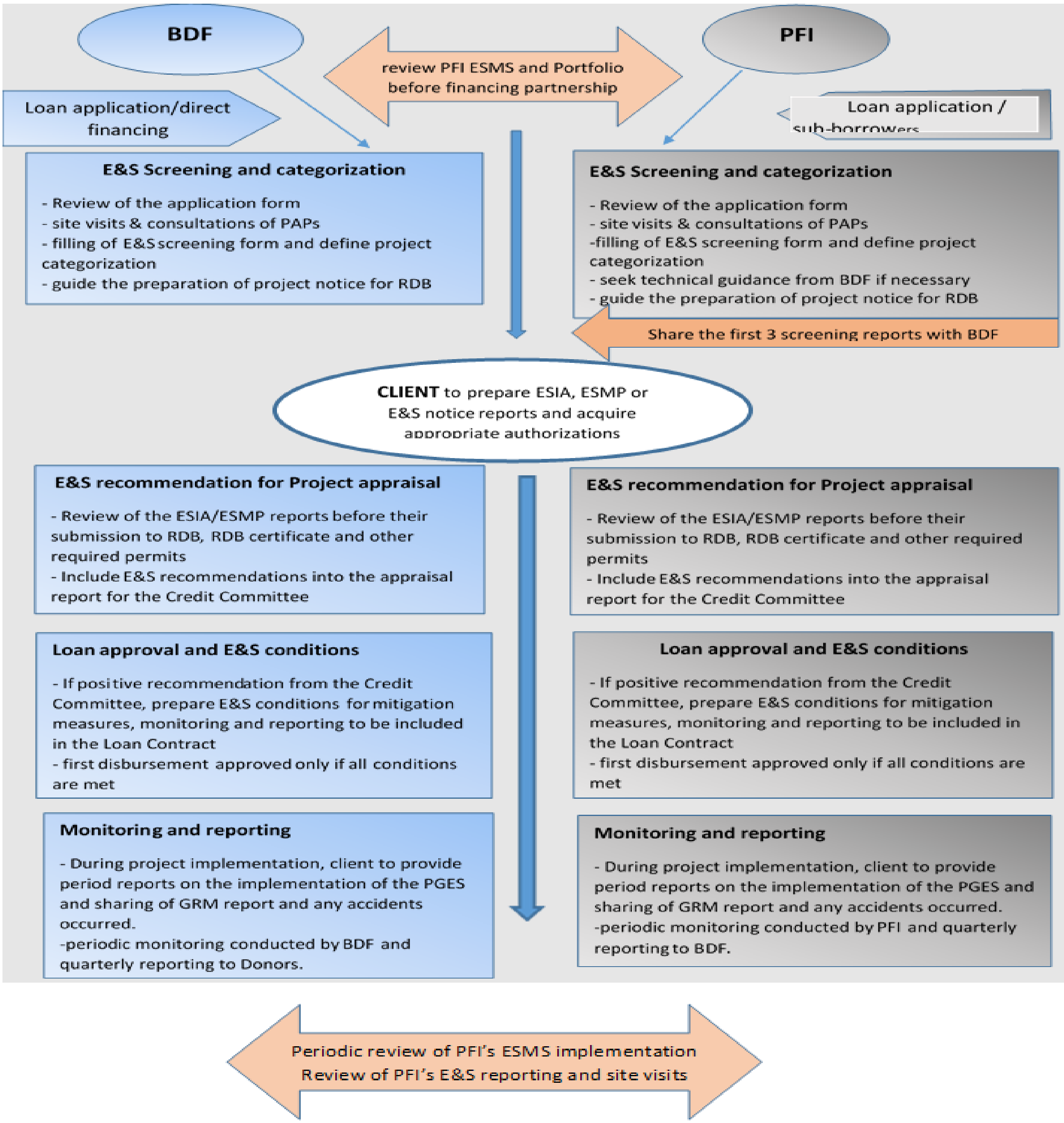
22.8.6 Environmental and Social Management tools to integrate into loan agreements

BDF shall sign loan agreements with eligible PFIs and direct lenders (direct borrowers) for the implementation of its activities.

BDF shall also sign contracts with companies for the execution of activities under direct implementation approach.

PFIs shall sign sub-loans agreements with their respective clients. BDF shall ensure that the E&S Clauses (ESC) are incorporated in the loan or sub-loan agreements as well as works' contracts for all activities that can induce any E&S risks

Figure 13: BDF and PFIs Flowchart for E&S Due diligence and Assessment process



22.8.7 Conditions of financing

This procedure outlines applicable requirements and performance commitments formalized in loan covenants prepared by the Legal Department. E&S loan covenants should cover the following:

- Use all reasonable efforts to ensure the E&S performance of the sub-borrowers is in compliance with the BDF or PFIs' Environmental and Social Policy;
- Implement the E&S mitigation and management measures specified in the approved ESIA or ESMP report ;
- Provide periodic E&S reporting to PFIs or to BDF at least quarterly based on an agreed format reflected in (Annex 14);

- Within a period of two days from its occurrence, BDF and PFIs will require their borrowers to notify them of any environmental, social, health and safety and security incident, accident or circumstance which could reasonably be expected to have any material impact on compliance of a transaction or applicable E&S requirements.
- A consolidated E&S risk management report shall bi-annually be submitted to PCT at MINECOFIN and a summary published at BDF website.

BDF safeguard team is responsible for proposing, reviewing and verifying that E&S covenants are included in each loan agreement between BDF and PFIs or in the case of Direct Investment.

22.8.8 Sector specific Policies and guidelines

In addition to this E&S Policy, BDF may adopt sector specific policies and guidelines which would be applicable to lending activities, whether direct lending by BDF or lending through eligible PFIs, within the specific sectors eligible for financing (i.e.: Agriculture, Energy, Export, etc).

As relevant to E&S due diligence, BDF may rely on sector specific policies and guidelines prepared at national level or by multilateral development institutions to support E&S risk management in lending activities.

The existing national sectoral guides on Environmental planning, Land management, Restoration and conservation of protected wetlands, Sustainable agriculture, Soil productivity and crop protection, water monitoring, soil and water conservation and waste management (REMA, 2010) (https://www.rema.gov.rw/index.php?id=38) will be applied during the screening and implementation of BDF financed interventions.

The other relevant sector guides will be identified by BDF and adapted as a result of continuous improvement of the ESMS and any changes in the nature of eligible financing.

22.8.9 Stakeholder's engagement

In its commitment to transparency and open lines of communication with diverse stakeholders including loans beneficiaries, individuals affected by the proposed projects, surrounding community BDF, through its marketing unit will use media outlets to raise awareness on environmental and social risks emanating from implementation of projects.

BDF will request projects directly funded by BDF or funded through PFIs to conduct a stakeholder engagement process from the early stage of project preparation and throughout the project cycle.

Projects proponents/loan beneficiaries will be requested to conduct the following process:
(a) Identify stakeholders who would be directly or indirectly impacted by the project;
(b) Engage with stakeholders presenting the project, potential negative and positive impacts and how the project intend to address these impacts;
(c) The stakeholder engagement will be conducted in their own communities or in places where they feel comfortable, with specific attention given to the most vulnerable among the communities;

(d) Keep a record of questions, comments and suggestions from stakeholders to adapt action plans and improve the project implementation process;
(e) Develop a project specific Stakeholder Engagement Plan to guide the engagement process, where needed.

For the purposes of effective and tailored engagement, stakeholders of the proposed project(s) will be divided into the following core categories:

(a) **Affected Parties** – persons, groups and other entities within the Project Area of Influence (PAI) that are directly influenced (actually or potentially) by the project and/or have been identified as most susceptible to change associated with the project, and who need to be closely engaged in identifying impacts and their significance, as well as in decision-making on mitigation and management measures;
(b) **Other Interested Parties** – individuals/groups/entities that may not experience direct impacts from the Project but who consider or perceive their interests as being affected by the project and/or who could affect the project and the process of its implementation in some way; and
(c) **Vulnerable Groups** – persons who may be disproportionately impacted or further disadvantaged by the project(s) as compared with any other groups due to their vulnerable status, and that may require special engagement efforts to ensure their equal representation in the consultation and decision-making process associated with the project(s).

22.8.10 Grievance Redress Mechanism (GRM)

The purpose of a grievance mechanism is to establish a way for affected individuals, groups or communities to communicate their enquiries, concerns or formal complaints. The grievance mechanism will address affected persons' concerns and complaints promptly, using an understandable and transparent process that is gender responsive, culturally appropriate, and readily accessible to all segments of the affected parties.

BDF and PFIs will ensure that workers from projects directed financed or from sub-borrowers, as well as potentially affected parties, are well informed and clearly understand the contents of the Grievance Redress Mechanism (GRM) throughout the implementation and operation of projects. Potentially affected parties will be informed about available entry points for submitting their concerns, inquiries, complaints or seeking clarifications to the Project and to Finances Institution.

Complaints shall be made through various channels including, but not limited to, face-to-face meetings, written complaints, phone hotlines, telephone conversations, e-mail, information booths, and open-door policies. The project level process will not impede affected persons' access to the legal system. If a complainant is not satisfied with the resolutions at all project levels, he/she will be allowed to take the matter to the appropriate legal or judicial authority as per Rwandan laws.

Rwanda Grievance Mechanisms are well catered for in the Ministerial Order No. 002/2008 of 2008. Determining Modalities of Land Registration and should be the referred to in establishing the project grievance mechanism

23 MONITORING, EVALUATION, AND REPORTING

BDF conducts monitoring and evaluation of its activities through its branch network. There are thirty branches in thirty districts, and collection of project information will be done through these branches which will be providing monthly reports to the headquarters for compilation and consolidation for quarterly reporting. BDF will evaluate progress through monitoring the agreed results indicators and will report to the project coordination team (PCT) on a quarterly and semi-annual basis. Project reporting will be done based on the project development (PDO) indicators, intermediate results indicators, and performance-based conditions (PBC) indicators; and BDF will provide evidence for meeting these PBCs, which will be verified via an audit desk review by the World Bank upon submission of supporting documents. For further reference, project results framework (Annex 10).

Performance-Based Condition Disbursement and Verification Protocol

The following table shows definition of PBCs, verification protocol, and procedure for approval

Subcomponent 2.1 - Partial Credit Guarantee: PBCs, verification protocol, and procedure for approval

Performance-Based Conditions	Amount	Definition	Scalability of Disbursements	Verification Method	Procedure
PBC 1: Revised PCG policies and procedures reflected in the MoU with financial institutions that are endorsed by and disseminated among the key stakeholders.	US$2 million	The BDF Guarantee Requirements dated February 4th, 2012, will be revised or a new policy and procedural document of the PCG replacing the BDF Guarantee Requirements will be developed. The revised and/or newly developed document(s) (collectively called as "new PCG policies") will be approved by the BDF's Board of Directors. The documents should cover, at a minimum: (a) Guarantee processing policies and procedures including the eligible PFIs, eligible use of funds, limits on the size of the loans that can be guaranteed, and suitable debt service and guarantee coverage; and (b) Guidance for PFIs including guarantee fees, reporting requirements, handling of loan defaults, procedure and requirements for claims, and loan recovery. The MoU with PFIs will be revised based on the new PCG policies. The new PCG policies and the revised MoU will be presented to and endorsed by PFIs, SME representatives and other stakeholders. The new PCG policies and revised MoU will be disseminated among PFIs, MSMEs representatives and other stakeholders via BDF website and awareness raising events.	No	Desk Review Audit	A report describing the approved and endorsed new PCG policies and revised MoU, as outlined in the definition of the PBC, is prepared by the BDF, along with supporting documentation including the new PCG policies and revised MoU, meeting minutes of the Board meeting, meeting minutes of the consultation and dissemination meetings with PFIs, MSMEs representatives, and other stakeholders, and descriptions of other dissemination channels and activities. BDF can select the attendees of the consultation meetings, but they should at least include all the existing PFIs. The report will be assessed by the World Bank. Verification will include a review of the report described above for consistency with PBC definition. These verified results will accompany any disbursement request to the World Bank by the BRD along with the eligible expenditures (The capital increase will need to be approved by the Board of the Directors of BDF).
PBC 2: Increased market uptake of the guarantee product	US$28 million	The total outstanding guarantees will exceed RWF 30 billion, RWF 40 billion, RWF 50 billion, and RWF 65 billion based on the latest quarterly PCG portfolio report (US$7M will be disbursed for each). The guarantee portfolio is expected to exceed RWF 30 billion in 2022, RWF 40 billion in 2023, RWF 50 billion in 2024, and RWF 65 billion in 2025.	Yes	Desk Review Audit	A quarterly PCG portfolio report prepared by the BDF and assessed by the World Bank. Verification will include a review of the report described above for consistency with PBC definition. These verified results will accompany any disbursement request to the World Bank by the BRD along with the eligible expenditures. The capital increase will need to be approved by the Board of the Directors of BDF.

LIST OF ANNEXES

Annex 1: Template for Participating Agreement between BRD and PFI

TERMS AND CONDITIONS OF THE AGREEMENT

This agreement is made by and between the undersigned parties:

The Development Bank of Rwanda Plc "BRD", a Public Company Limited by Shares, with an authorized share capital of 150,000,000,000 FRW, incorporated on August 5, 1967, company code n° 100003547, whose head office is in Kigali, Postal Office Box 1341 Kigali, hereby officially represented by **[insert the name]** and **[insert the name]**, Company Secretary & General Counsel and the Chief Executive Officer respectively, in accordance with the powers conferred to them by the Board of Directors, hereunder referred to as the **"AFIRR Project Implementing Entity"**

and

[Insert the name of the Partner Financial Institution], a Public Limited Company with share capital amounting to FRW [insert the amount], having its registered office at [insert province], [street number], [postal address] registered in the Register of companies with Company code: [insert company code] at the Office of General Registrar, represented by **[insert the name of the CEO]** and **[insert the name]** respectively Chief Executive Officer and Country Head of Legal and Company Secretary ; (herein referred to as "**Participating Financial Institution or PFI**", on the other part.

Hereinafter also known as **the Parties.**

WHEREAS: under the Financing Agreements dated June 23, 2021, between the Republic of Rwanda ("GoR") and the International Development Association ("World Bank"), the World Bank agreed to provide the GoR with a loan (Loan No. 6927-RW and 6926-RW) and a grant (Grant No. D852-RW) to assist in financing the Access to Finance for Recovery and Resilience Project ("AFIRR Project"), which is described in Schedule 1 to the Financing Agreement.

WHEREAS, under the Loan Agreement dated August 20, 2021 ("Loan Agreement"), between the GoR and the Asian Infrastructure Investment Bank ("AIIB"), the AIIB agreed to provide the GoR with a loan (Loan No. L0483A) to assist in co-financing the AFIRR Project, which is described in Schedule 1 to the Loan Agreement.

WHEREAS, the World Bank and the AIIB have agreed, on the basis, *inter alia*, of the foregoing to extend the financing provided under the Financing Agreements and the Loan Agreement to the GoR upon the terms and conditions set forth in the Financing Agreements and the Loan Agreement.

WHEREAS, the GoR delegated the responsibility for implementation and management of AFIRR to BRD, and, in this regard, the GoR has provided a portion of the financing to BRD for purposes of BRD implementation of the AFIRR Project.

WHEREAS, the World Bank has entered into a Project Agreement with BRD, dated July 8, 2021, in connection with the Financing Agreement for the AFIRR Project.

WHEREAS, AIIB has entered into a Project Agreement with BRD dated August 20, 2021 (together with the Financing Agreements, the Loan Agreement, and the Project Agreement between the World Bank and BRD, the "Legal Agreements"), in connection with the Loan Agreement for the AFIRR Project.

WHEREAS, BRD has agreed to implement Sub-component 1.2, Sub-component 1.3 and Component 3 of the AFIRR Project, in accordance with the Legal Agreements.

WHEREAS, BRD having satisfied itself as to the eligibility to participate in the implementation of the AFIRR Project, in accordance with the Legal Agreements and the Project Implementation Manual ("PIM"), has offered PFI to assist in the implementation of the Sub-component 1.2 and Sub-component 1.3 the AFIRR Project;

WHEREAS, [insert the name of the bank] has agreed to join as PFI by receiving financing ("Subsidiary Financing") to extend one or more sub-loans ("Sub-loans") to eligible BEs ("Final Beneficiaries") under the terms and conditions set forth in this Agreement and in accordance with Legal Agreements and the PIM.

BRD and PFI hereby agree as follows:

ARTICLE 1: DEFINITIONS

1.1 **Acceleration:** Means the BRD or the Lender's right on and at any time after the occurrence of an Event of Default to cancel the commitment and declare that all or part of the outstanding loan with accrued interest be immediately due and payable.

1.2 **AIIB Policy on Prohibited practices (PPP)**: means Asian International Investment Bank's "Policy on Prohibited Practices", dated December 8, 2016, as amended from time to time.

1.3 **Business days:** means a day (other than a Saturday or Sunday) on which banks are open for general business in the Republic of Rwanda.

1.4 **Commitment:** means approving funds to eligible Final Beneficiaries through PFI's existing approval procedures to the extent not cancelled or reduced under the Sub-Loan Agreement.

1.5 **Commitment period:** A six (6) month period in which the PFI has to disburse funds to the Final beneficiary following a commitment made by the PFI.

1.6 **Credit committee:** An internal body staffed in line with terms and references acceptable to BRD and the World Bank/AIIB, responsible for the evaluation and approval of all sub-loan applications.

1.7 **Default:** means an Event of Default or any event or circumstance specified in Clause titled "Events of Default" which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing) be an Event of Default.

1.8 **Disbursement:** Deposit of funds on the final Beneficiary's designated bank account.

1.9 **Disbursement Agreement:** means the agreement signed between PFI and BRD with terms and conditions pertaining to the disbursement of AFIRR facility. The agreement will outline the nature of sub-loan borrowing entity and its business activities. The Disbursement Agreement will provide the list of the sub-loan borrowers and the purpose of the sub-loan such as working capital management and or investment and or refinancing.

1.10 **Disruptive event:** means either or both of:

a. a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the Loan which disruption is not caused by, and is beyond the control of, any of the Parties; or

b. the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a Party preventing that, or any other Party:

   i. from communicating with other Parties in accordance with the terms of this Agreement, and which (in either such case) is not caused by, and is beyond the control of, the Party whose operations are disrupted.

   ii. from performing its payment obligations under this Agreement; or

and which (in either such case) is not caused by, and is beyond the control of, the Party whose operations are disrupted.

1.11 **Eligibility criteria:** means BEs Sub-loan eligibility criteria as set out in the Project Implementation Manual (PIM).

1.12 **Event of Default:** means any event or circumstance specified as such in Clause titled "Events of Default".

1.13 **Final Beneficiaries:** means Rwanda based BEs (micro, small, medium and large business) who are unable to access long-term finance for working capital and scale up investment during and post-COVID 19 that qualify under the AFIRR eligibility criteria.

1.14 **Financial Indebtedness:** means any indebtedness for or in respect of:

a. moneys borrowed;

b. any amount raised by acceptance under any acceptance credit facility or dematerialized equivalent;

c. the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as a balance sheet liability;

d. receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);

e. any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

f. any amount raised under any other transaction (including any forward sale or purchase agreement) of a type not referred to in any other paragraph of this definition having the commercial effect of a borrowing;

g. any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
h. any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value (or, if any actual amount is due as a result of the termination or close-out of that derivative transaction, that amount) shall be taken into account);
i. the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (h) above.

1.15 **Financing Agreements (FAs):** mean the Grant Agreement and Loan Agreement signed between the International Development Association (World Bank) and the Government of Rwanda (represented by MINECOFIN) with terms and conditions pertaining to the implementation of AFIRR project. Both agreements are signed in foreign currencies.

1.16 **GAAP:** means generally accepted accounting principles in Rwanda including IFRS.

1.17 **Legal Agreements:** means the Financing Agreements, the Loan Agreement, and the Project Agreements.

1.18 **Loan:** means a loan made or to be made under the Facility or the principal amount outstanding for the time being of that loan.

1.19 **Material Adverse Effect:** means a material adverse effect on:
a. the business, operations, property, condition (financial or otherwise) or prospects of the PFI taken as a whole.
b. the ability of the PFI to perform its obligations under this Agreement.
c. the political situation and other risks (political, economic or otherwise) relating to Rwanda in a manner that would be materially adverse to the Lender (BRD).

1.20 **MINECOFIN:** means the Ministry of Finance and Economic Planning, or any successor thereto.

1.21 **Month:** means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:
a. (subject to paragraph (c) below) if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day.
b. if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month; and
c. if an Interest Period begins on the last Business Day of a calendar month, that Interest Period shall end on the last Business Day in the calendar month in which that Interest Period is to end.

The above rules will only apply to the last Month of any period.

1.22 **Participating Agreement:** mean the agreement signed between BRD and eligible PFIs with terms and conditions pertaining to the implementation of AFIRR Project. The Participating Agreement will be signed in local currency.

1.23 **Participating Financing Institution (PFI):** means commercial banks to be selected by the Project Implementing Entity for participation in the Access to Finance for Recovery and Resilience (AFIRR) project on the basis of the criteria and approval procedures set forth in the

Project Implementation Manual (PIM), and in accordance with the provisions of the Project Agreements.

1.24 **Pipeline:** means a list of potential eligible sub-projects and the corresponding final beneficiaries to be presented as supporting documents in an application by the PFI to BRD for assessment.

1.25 **Project Agreements (PAs):** mean the agreements signed between World Bank and BRD, and between AIIB and BRD, with terms and conditions pertaining to the project implementation. The agreement shall outline the implementation structure and roles and responsibilities of BRD in the project implementation

1.26 **Project Implementing Entity (PIE):** means the Development Bank of Rwanda (BRD).

1.27 **Sub-Loan:** A loan made to the Final Beneficiary by the PFI.

1.28 **Sub-Loan Agreement (SLA):** means the agreement signed between PFI and Final Beneficiary with financing conditions of on-lending to the eligible sub-projects or businesses. The agreement signed between BRD and Final Beneficiary for direct lending to eligible sub-project or business shall also be represented by an SLA.

1.29 **Sub-project:** means the eligible projects financed by BRD directly or on-lending through PFI under financing conditions stipulated on the Sub-loan Agreement (SLA) signed between BEs and BRD/PFI.

1.30 **Subsidiary Financing Agreement (SFA):** mean the agreement signed between MINECOFIN and BRD with terms and conditions pertaining to the implementation of Access to Finance for Recovery and Resilience (AFIRR) project. The SFA will be signed in local currency.

1.31 **Term sheet:** means a bullet-point document outlining the material terms and conditions of a potential Sub-Loan Agreement between the PFI and the Final Beneficiary.

1.32 **World Bank Anti-Corruption Guidelines:** means the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by REF Implementing Entity Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.

ARTICLE 2: SUBSIDIARY FINANCING PURPOSE

2.1 BRD approved [insert the name of PFI] as Participating Financial Institution to access the AFIRR Line of Credit facility meant for on-lending to Final Beneficiaries for the purpose of economic recovery and resilience of the business.

2.2 BRD agrees to on-lend on terms and conditions set forth or referred to in this Agreement to [insert the name of PFI] for the provision of Sub-loans to eligible Final Beneficiaries (as defined in the PIM) for financing the economic recovery and resilience.

2.3 The PFI shall on-lend Subsidiary Financing exclusively for financing the Sub-projects to Final Beneficiaries as a facility to access an affordable long-term line of credit.

2.4 The principal amount of the Subsidiary Financing shall be equal to the sum of all sub-loans extended by the PFI to the Final Beneficiaries.

ARTICLE 3: TERMS AND CONDITIONS OF SUBSIDIARY FINANCING

3.1. Sub-loans to PFIs will be disbursed against the term-sheet or application letter from the potential PFI client or equivalent document issued by the PFI to its potential client and the disbursed amount will be equivalent to a 4 month disbursement pipeline. The PFIs will be free to recycle the draw down amount as long as it utilizes the funds within 6 months, in conformity with the guidelines described in this Project Implementation Manual. PFIs are required to disburse all the funds received from BRD within a period of 6 months; after the 6 months BRD will be free to recall all uncommitted funds with a 30 days of notice period.

3.2. PFI shall receive Subsidiary Financing equivalent to the sum of the indicative sub-loan amount as reflected on the term-sheet. Once PFI has fully committed the drawdown tranche received from BRD, the PFI may apply for an additional tranche of Subsidiary Financing. The application for additional tranche shall include all required documentation including copy of Sub-loan Agreement signed with the Final Beneficiary, the term-sheets issued for the additional sub-loans, and the details on how the previous tranche has been used.

3.3. Subsidiary Financing shall be available only for Sub-loans to be extended to eligible Final Beneficiaries. Financing requests shall be selected, appraised, implemented and evaluated by the PFI, and Sub-loan agreements shall be entered into, all in accordance with the principles, eligibility criteria and procedures set forth in the PIM, and all the terms and conditions set out in the Financing Agreements and the Project Agreement, including the obligation to carry out the AFIRR Project in accordance with the World Bank Anti-Corruption Guidelines, the World Bank Environmental Safeguard Review Framework and the AIIB Policy on Prohibited Practices.

3.4. Subsidiary Financing shall be denominated in Rwandan Francs (FRW). Interest and other fees payable under this Agreement shall be in FRW.

3.5. The available Subsidiary Financing shall be used based on a drawdown mechanism, where PFI extends the loans to eligible Final Beneficiaries without prior BRD review. PFI loans to Final Beneficiaries with the identical amounts, maturity and grace period shall be extended as follows: An application will be made by the Final Beneficiary to PFI for the loan for their business-related investment and or associated working capital finance. PFI will appraise the eligibility and creditworthiness of the Final Beneficiary as well as the eligibility and feasibility of the related investment. If PFI is satisfied that the Final Beneficiary is creditworthy and the business makes sense, and that all applicable eligibility criteria are met, PFI shall issue a term-sheet to the applicant and submit the Sub-loan for approval by its credit committee, following applicable credit risk appraisal and management procedures. Once the credit committee approves the Sb-loan, PFI shall issue a notification letter with conditions precedents and finally sign the Sub-loan agreement with the Final Beneficiary.

3.6. The PFI shall ensure that the criteria established on the PIM has been dully followed before extending sub-loans to the Final Beneficiaries.

ARTICLE 4: INTEREST CHARGES AND PAYMENTS

4.1. The withdrawn and outstanding balance of Subsidiary Financing shall bear interest at a rate equal to 3.5% per annum subject to annual monitoring and adjustment based on market conditions and PFI shall extend the loan to Final Beneficiaries at interest rate no higher than 8.0% per annum.

4.2. The Subsidiary Financing which will be extended for the purpose of refinancing of existing businesses affected by COVID-19 shall bear no interest. PFI shall extend such refinancing to

Final Beneficiaries at interest rate no higher than 5.0% per annum. The list of businesses eligible for refinancing is provided on the PIM.

4.3. The total interest due by PFI to BRD shall be equal to the sum of interest on withdrawn (for all tranches and extended to the PFI). The interest shall be due quarterly.

4.4. Interest for Subsidiary Financing shall be paid to the settlement account as specified by BRD.

4.5. The interest rates taxable on all overdue amounts shall, in addition, automatically incur default interest at a rate of …% per month on the amount in arrears without having to notify PFI, in case of failure to honour the due instalment as earlier agreed.

4.6. In the event of the restructuring of the loan, BRD shall be entitled to charge a fee equivalent to …..% of the restructured amount plus 18% VAT. The PFI will make a payment equivalent to 50% upfront.

4.7. Prepayment fees: …. % of the principal outstanding loan amount, including accrued interest plus 18% VAT, with 30 days prior notice in the event the loan to the final beneficiary is refinanced by another financial institution.

4.8. Management Fee: …. per annum on the outstanding principal amount.

4.9. Service commission: ….. (one time) on total amount disbursed to the PFI.

ARTICLE 5: REPAYMENT OF PRINCIPAL

5.1. PFI shall repay the principal amount of Subsidiary Financing due in accordance with the amortization schedule set forth in the respective Disbursement Agreements.

5.2. PFI shall repay the principal amount of Subsidiary Financing plus interest after a grace period of three (3) years counted from the date each disbursement is effective.

5.3. After the grace period, PFI shall repay the entire disbursed tranche plus interest on a quarterly basis for a period of twelve (12) years.

5.4. PFI shall repay the Subsidiary Financing or any portion thereof before the agreed due date upon demand being made by BRD:

a. if PFI Sub-loan or any portion thereof has been prepaid by the Final Beneficiary.

b. if PFI fails on a due date to repay any part of the Subsidiary Financing, or to pay interest thereon, or to make any other payment due.

c. if PFI or a Final Beneficiary ceases to exist.

d. if this Agreement is terminated by BRD or by PFI in accordance with terms and conditions set in this Agreement.

e. if PFI does not cause the Final Beneficiary to follow procedures, as specified in the PIM.

f. if any information or document related to this Agreement concerning PFI or PFI's Sub-loans proves to have been untrue or incorrect; and/or if any given information concerning the Final Beneficiary proves to have been knowingly incorrect; or if PFI in said cases did not make reasonable efforts to check the correctness of information.

5.5. The repayments of principal shall be due quarterly basis to the settlement account as specified by BRD.

ARTICLE 6: LOAN TENURE

This Agreement has a duration of a period of fifteen (15) years from the date of first disbursement. This Agreement shall be renewed if PFI has any amount outstanding to the Final Beneficiary after the 15 year tenor.

ARTICLE 7: DISBURSEMENTS

7.1. The disbursement on each portion of Subsidiary Financing shall be made upon signing the respective Disbursement Agreement.

7.2. PFI shall submit a disbursement request letter specifying the amount requested, list of the Final Beneficiaries, and the bank account to which the disbursement should be made. Each request letter should have been supported by the term-sheet duly signed between PFI and its prospective Final Beneficiary.

7.3. For all expenditures with respect to which withdrawals from the Bank Loan Account and the BRD Designated Account were made on the basis of statements of expenditure, PFI shall:

a. maintain records and accounts reflecting such expenditures, including evidence collected from the Final Beneficiaries showing that the Sub-loan proceeds were used exclusively for eligible expenditures.

b. retain until at least three years after BRD and the World Bank/AIIB have received the audit report for the fiscal year in which the last withdrawal from the Bank's Loan Account or payment out of the Designated Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

c. enable BRD and the World Bank's/AIIB's representatives to examine such records with prior notice; and

d. ensure that such records and accounts are included in the annual audit referred to in Auditing and Accounting provision of this Agreement and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

7.4. If BRD or the World Bank/AIIB shall determine at any time that any payment: (a) was not made for an eligible expenditure or was made in an amount not eligible; or (b) was not justified by the evidence furnished to BRD, the PFI shall, promptly upon notice from BRD: (i) provide such additional evidence as BRD or the World Bank/AIIB may request; or (ii) deposit into the Account specified by BRD an amount equal to the amount that was not eligible or not justified.

ARTICLE 8: REFINANCING

The businesses that have already been financed by the PFI from its own funding sources, where the BE meets the eligibility criteria, shall be refinanced from the Project. The eligible PFI financing should have been extended within a reasonable period and the proposal for refinancing has to demonstrate the additionality of AFIRR funding. The refinancing will be provided to the sectors identified by MINECOFIN

ARTICLE 9: NEGATIVE PLEDGE

In consideration of BRD agreeing to extend loan facilities to PFI, the latter hereby irrevocably and unconditionally covenant to provide a Negative pledge over PFI assets to BRD. PFI declares that it holds full and incontestable ownership over all the existing property, and that they are free from any form of seizure, whether judicially or by private agreement.

ARTICLE 10: PARI-PASSU

PFI shall ensure that BRD's rights under this Agreement will, at all times until full repayment of the loan amount, be ranked equally with all the PFI's unsecured and unsubordinated financing.

ARTICLE 11: ELIGIBILITY CRITERIA

11.1. The PFI shall ensure that it continues to meet the eligibility criteria at all times as assessed annually, including:

- **Compliance with prudential regulations issued by the BNR** – the bank must be in good standing with the BNR always and observe all other applicable laws and regulations. The PFI compliance to prudential financial metrics shall also be observed. NB: In case if the PFI deviates from any prudential metric, a plan to reverse the trend shall be submitted by the PFI to BRD for review and approval by BRD subject to the World Bank/AIIB no-objection.
- **Management and good governance** – "fit and proper" owners, directors and managers; adequate Board composition and practices; competent management with adequate managerial autonomy; adequate organization and institutional capacity for its specific risk profile; satisfactory staff capacity and managerial autonomy to carry out its role in the project. Board-approved maturity gap limit assessed periodically. Regular stress testing.
- **Capital adequacy** – compliance with BNR regulations (i.e. minimum capital of 15 percent calculated as the ratio of total capital to total risk weighted assets).
- **Adequate liquidity** – compliance with BNR regulations (i.e. minimum Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) of 100 percent), limits to maturity gaps approved by the Board and periodically measured, and regular stress testing.
- **Adequate profitability** – positive profitability, well diversified income structure and stable earnings trend. Well-managed cost structure.
- **Adequate credit policy**, including internal rules for reliable appraisal of mortgaged properties
- **Operational capacity** – sufficient capacity to serve SME client and participate in the Project; ability to track loans by sector, firm size, and financing type (CAPEX, OPEX, WC).
- **Acceptable risk profile** – effective Asset and Liability Management Committee (ALCO), well-defined policies and written procedures for management of all types of financial risks (liquidity, credit, currency, interest rate and market risk, as well as risks associated with balance sheet and income statement structures); adequate organizational and institutional capacity for its specific risk profile.
- **Adequate collateral** - the PFI should be ready to provide promissory note and or negative pledge or any other collateral acceptable to BRD as part of the collateral support.

- **Adequate asset structure and portfolio quality** – acceptable asset structure including concentration; lending to connected parties; effectiveness of loan underwriting; asset classification and provisioning; level of NPLs and collection practices.
- **Adequate internal audit** – independent internal audit function with well-defined procedures, annual internal audit plans, regular reviews of all key risk management functions and follow-up on issues raised in internal audit reports.
- **Undertake annual external audits** by reputable auditors and according to international auditing standards.
- **Adequate MIS system and well-organized IT support, with adequate internal controls and security policies** – the IT support should be based on relational database management system providing good accounting and bookkeeping, and adequate system-software support for transaction processing and all banking and risk management functions.
- **Allow authorized BRD representatives on a need-to-know basis access to privileged and confidential information** necessary to appraise whether the bank meets and/or continues to meet the agreed qualification criteria.
- **Agree to devote adequate resources to the Project,** to establish and maintain an adequately staffed credit appraisal/management group and credit risk committee, and to join any available Project-related training.
- **Agree to comply with the project's Environmental and social safeguards requirements,** including developing and adopting a comprehensive Environmental and Social Management System (ESMS) to guide the process of carrying out E&S due diligence on final beneficiaries and sub-project appraisals as well as for supervising sub-projects implementation.
- **Appropriate Implementation Capacity** –to verify and document agreed lending criteria, maintain files opened for inspection during supervision reviews, and deliver regular reporting as defined by the Participation Agreement
- **Support for energy efficient** or climate friendly capital investment will be actively considered and of great advantage.

11.2. PFIs that deviate from the eligibility criteria stated above may be considered for participation wherever a credible commitment to achieve compliance in the form of a time-bound action plan has been prepared by the PFI, submitted to BRD, is deemed satisfactory and receives a World Bank/AIIB no-objection.

11.3. PFI shall enable the World Bank/AIIB to receive, as needed, information on the following:

a. Externally audited financial statements meeting IFRS standards for the previous two years, including external audit opinion and recommendations.
b. Un-audited financial statements as of the last six months, or as late as they are available. These should specifically include balance sheet, income statement, asset classification and provisioning levels.
c. Names of its significant owners holding more than 10% of shares. Summary information for each significant owner including connected parties – individuals or other companies.
d. Organizational chart and governance structure. Names of and brief CVs of key senior managers.
e. Risk management related committees and bodies.
f. Copy of policies, procedures and Operations Manuals related to lending and credit risk management.

g. Detailed information on loan classification (all five categories). Details on loan loss provisions and collateral coverage for substandard, doubtful and loss categories.
h. Dealing with substandard and doubtful loan clients. Collection on collateral.
i. Internal audit manual. Internal audit schedule and samples of internal audit reports. Examples of follow-up to recommendations from internal audit reports and from external auditors. Examples of reporting to senior management.
j. Quarterly reports submitted to BNR.

ARTICLE 12: IMPLEMENTATION REQUIREMENTS

12.1. BRD shall provide, promptly as needed, the funds, facilities, services and other resources required for the implementation of the project. PFI shall maintain, with terms of reference satisfactory to BRD and the World Bank/AIIB:
   a. A technical unit to be responsible of the appraisal of credit applications received from the prospective Final Beneficiaries. The technical unit shall be staffed with qualified staff in adequate numbers and provide, promptly as needed, loans, services and other resources required for effective Project implementation; and
   b. A credit committee to be responsible for the evaluation and approval of Sub-loan applications.

12.2. PFI shall exchange views with and furnish all information to BRD and the World Bank/AIIB, as may be reasonably requested by BRD and the World Bank/AIIB, with regard to the progress of its activities concerning participation under the AFIRR Project, the performance of its obligations under this Agreement, and other related matters. PFI shall promptly inform BRD of any condition which interferes or threatens to interfere with the progress of its activities under this Agreement.

ARTICLE 13: LENDING PRACTICES

13.1. PFI is obliged to carry out its lending activities and conduct its operations and affairs in accordance with appropriate financial standards and practices, with qualified management and staff in adequate numbers, and in conformity with the investment and lending policies and procedures referred to in this Agreement, the Legal Agreements, , PIM, and other legal instruments related to implementation of the AFIRR Project.

13.2. PFI shall follow procedures set forth in the PIM and exercise its rights in relations to each such Sub-loan in such manner as to protect its interests and the interests of BRD and the World Bank/AIIB.

13.3. PFI shall supervise, monitor and report on details, according to sound banking practices and following procedures set forth in the PIM.

13.4. PFI shall:
   a. suspend or terminate the right of a Final Beneficiary to use the proceeds of a Sub-loan extended by PFI, or accelerate or obtain a refund of all or any part of the amount of said Sub-loan, upon the Final Beneficiary’s failure to perform any of its obligations under the related Sub-loan Agreement or to comply with the provisions of (i) the World Bank Anti-Corruption Guidelines applicable to recipients of loan proceeds (“World Bank Anti-Corruption Guidelines”) and the Environmental Safeguard Review Framework, or (ii)

AIIB's Policy on Prohibited Practices ("PPP") with respect to the Prohibited Practices (as defined in the PPP) of "Misuse of Resources" and "Theft", to the extent such Prohibited Practices are not covered by the World Bank Anti-Corruption Guidelines; and

b. For Sub-loans require each Final Beneficiary to: (i) carry out its obligations under the Sub-loan Agreement with due diligence and efficiency; (ii) for businesses operate in accordance with sound technical, economic, financial, managerial, environmental and social safeguard practices satisfactory to BRD and the World Bank/AIIB; (iii) procure the goods, and services to be financed out of said Sub-loan Agreement in accordance with the PIM; (iv) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with indicators acceptable to BRD, the progress of the Sub-project and the achievement of its objectives; (v) enable the BRD and the World Bank/AIIB to inspect the utilization of borrowed funds and any relevant records and documents; and (vi) prepare and furnish to the BRD all information that they shall reasonably request.

ARTICLE 14: ACCOUNTING AND AUDITING

14.1. PFI shall maintain separate records and accounts adequate to reflect in accordance with the regulator of PFI for the AFIRR and sound accounting practices the operations. PFI shall:

a. Have its financial statements and Project related records and accounts audited each fiscal year, in accordance with international financial reporting standards or applicable national accounting and financial reporting standards, by independent auditors as prescribed by the BNR.

b. Furnish to BRD as soon as available, but in any case, not later than six months after the end of each year, the external audit report, of such scope and in such detail as the World Bank/AIIB and BRD shall have reasonably requested; and

c. Furnish to BRD other information concerning records and accounts and the audit thereof as the World Bank/AIIB and BRD shall reasonably request.

ARTICLE 15: EVENTS OF DEFAULT

15.1. Each of the events or circumstances set out in this provision Clause is an Event of Default, save for provision on Acceleration.

15.2. If PFI does not pay on the due date any amount payable pursuant to this Agreement at the place and in the currency in which it is expressed to be payable unless:

a. its failure to pay is caused by:

i. administrative or technical error; or

ii. a Disruption Event; and

b. payment is made within five Business Days of its due date.

15.3. **ELIGIBILITY CRITERIA AND OTHER OBLIGATIONS**

a. Any requirement of the eligibility criteria provision is not satisfied.

b. PFI does not comply with any provision of this Agreement (other than those referred to in the eligibility criteria.

15.4. Any representation or statement made or deemed to be made by PFI in this Agreement or any other document delivered by or on behalf of PFI under or in connection with this

Agreement is or proves to have been incorrect or misleading in any material respect when made or deemed to be made.

15.5. **CROSS DEFAULT**

a. Any Financial Indebtedness of PFI that is undisputed is not paid when due nor within any originally applicable grace period.
b. Any Financial Indebtedness of PFI is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default that is not disputed (however described).
c. Any commitment for any Financial Indebtedness of PFI is cancelled or suspended by a creditor of the PFI as a result of an event of default (however described).
d. Any creditor of the PFI becomes entitled to declare any Financial indebtedness of PFI due and payable prior to its specified maturity as a result of an event of default (however described).
e. No Event of Default will occur under this provision if the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (a) to (d) above is less than the current total outstanding debt to BRD.

15.6. **INSOLVENCY**

a. PFI:
    i. is unable or admits inability to pay its debts as they fall due.
    ii. suspends making payments on any of its debts. or
    iii. by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors (excluding BRD in its capacity as such) with a view to rescheduling any of its indebtedness.
b. The value of the assets of PFI is less than its liabilities (taking into account contingent and prospective liabilities).
c. Commences insolvency proceedings.

15.7. **CESSATION OF BUSINESS**

If PFI suspends or ceases to carry on (or threatens to suspend or cease to carry on) all or a material part of its business.

15.8. **LITIGATION**

Any litigation, arbitration, administrative, governmental, regulatory or other investigations, proceedings or disputes are commenced or threatened, or any judgment or order of a court, arbitral body or agency is made, in relation to this Agreement or against the PFI or its assets which have or are reasonably likely to have a Material Adverse Effect.

15.9. **MATERIAL ADVERSE CHANGE**

Any event or circumstance occurs which BRD reasonably believes has or is reasonably likely to have a Material Adverse Effect on the ability of the PFI to operate as a business.

15.10. **ACCELERATION**

On and at any time after the occurrence of an Event of Default BRD may:

a. by notice to PFI:
    i. cancel the Commitment whereupon it shall immediately be cancelled.
    ii. declare that all or part of the Loans, together with accrued interest, and all other amounts accrued or outstanding under this Agreement be immediately due and payable, whereupon they shall become immediately due and payable; and/or
    iii. declare that all or part of the Loans be payable on demand, whereupon they shall immediately become payable on demand of BRD; and/or
b. exercise any or all of its rights, remedies, powers or discretions under this Agreement.

ARTICLE 16: TRANSPARENCY

16.1. In order to assure the transparency of information, BRD shall publicize the AFIRR Project implementation related information on its website.

16.2. PFI agrees to supply to BRD information necessary for impact evaluation semi-annually. This shall include information on sub-loan beneficiaries, including information on sub-loan beneficiaries, and other information that BRD may reasonably request.

ARTICLE 17: SETTLEMENT OF DISPUTES

The Parties shall use their best efforts to settle amicably all disputes arising out of or in connection with this Agreement or the interpretation thereof. Any dispute between the Parties as to matters arising pursuant to this Agreement which cannot be settled amicably within thirty (30) days after receipt by one Party of the other Party's request for such amicable settlement may resolved in accordance by competent courts of Rwanda.

ARTICLE 18: GOVERNING LAW

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by Rwanda Law.

ARTICLE 19: TERMINATION OF THE AGREEMENT

19.1. This Agreement shall be terminated upon successful completion of the project. It may be terminated earlier if suspended or terminated by the Parties.

19.2. PFI may, by submitting 60 days prior written notice of termination to BRD, terminate this Agreement at any point.

19.3. BRD may, by written notice of suspension to the PFI, initiate suspension of this Agreement:
    a. If PFI fails to be compliant with eligibility criteria and all applicable policies and procedures specified in the PIM.
    b. If PFI fails to maintain the appropriate financial standards and lending practices, with qualified management and staff in adequate numbers.
    c. If PFI is found to breach the established eligibility rules for clients and projects, further disbursements and access to new funding will be suspended until the PFI has fully refunded the sub-financing related to the ineligible loans and procurements.

d. If PFI utilizes the funds for ineligible expenditures, it shall be asked to refund all PFI-financed amounts that have been improperly used. Failure to address the issue and/or refund by a given deadline would result in suspension.
e. If PFI fails to perform any of its obligations under this Agreement, or any of the obligations specified in the PIM related to procurement, environmental screening, or other World Bank/AIIB requirements set out in the Legal Agreements, it shall be asked to correct the mistakes by a certain deadline, or else refund all amounts that have been improperly used. Failure to address the issue and/or refund by a given deadline would result in full suspension.
f. If PFI fails to pay the interest and principal payments for longer than 60 days, it shall be asked to make a reimbursement by a certain deadline. Failure to cover full interest and principal due by a given deadline would result in suspension.
g. If PFI becomes insolvent, or shows negative profitability, it will be given a deadline to improve its capital and/or financial position, or else the PFI-funded credit portfolio will be moved to BRD or another bank which continues to meet the criteria. Such a bank will be selected on a competitive basis. The insolvent bank will be suspended.
h. If PFI fails to continue to be in compliance with applicable legal and regulatory requirements applicable to its operations.

19.4. BRD suspension notice shall specify the reasons for suspension and, in cases when the reason for suspension can be addressed, it may specify potential remedies. If, upon receiving a suspension notice from BRD, PFI fails to remedy the reason for suspension in the period of 60 days, BRD may terminate the Agreement by written notice of termination to the PFI.

19.5. Upon termination of this Agreement the parties' rights and obligations under this Agreement will survive the termination, were applicable, with respect to PFI's financial obligations as per the provisions on the payment of accrued interest, other charges, repayment of the principal loan and lending practices as specified under this Agreement.

ARTICLE 20: NOTICE, AND REPRESENTATIVES

20.1. Any communication to be made under or in connection with this Agreement shall be made in writing and, unless otherwise stated, may be made by email or letter.

20.2. **BRD represented by its Chief Executive Officer**:
Development Bank of Rwanda
P.O. Box 1341
Kigali, Rwanda
Authorized Representative: **Chief Executive Officer**

20.3. **The PFI, represented by:**
Address for the PFI is: P.O. Box ……, ……. Street, Kigali, Rwanda
Authorized Representative: **Chief Executive Officer**

20.4. **Electronic communication**

a. Any communication to be made between any two Parties under or in connection with the Agreement may be made by electronic mail or other electronic means (including, without limitation, by way of posting to a secure website) if those two Parties:

i. notify each other in writing of their electronic mail address and/or any other information required to enable the transmission of information by that means; The above-mentioned email is to be considered as the official electronic mail address for purposes for communication regarding this Agreement and
ii. notify each other of any change to their address or any other such information supplied by them by not less than five (5) Business Days' notice.

b. Any such electronic communication as specified in paragraph (a) above made between any two Parties will be effective only when actually received (or made available) in readable form.
c. Any electronic communication which becomes effective, in accordance with paragraph (b) above, after 5:00 p.m. in the place in which the Party to whom the relevant communication is sent or made available has its address for the purpose of this Agreement shall be deemed only to become effective on the following day.
d. Any reference in Agreement to a communication being sent/received shall be construed to include that communication being made available in accordance with this provision.

20.5. **English language**

a. Any notice given under or in connection with this Agreement must be in English.
b. All other documents and correspondences provided under or in connection with this agreement must be in English.

ARTICLE 21: PARTIAL INVALIDITY

If, at any time, any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under any law, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

ARTICLE 22: REMEDIES AND WAIVERS

No failure to exercise, nor any delay in exercising, on the part of BRD, any right or remedy under the Agreement shall operate as a waiver of any such right or remedy or constitute an election of affirmation. No election to affirmation on the part of BRD shall be effective unless it is in writing. No single or partial exercise of any right or remedy shall prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in Agreement are cumulative and not exclusive of any rights or remedies provided by law.

ARTICLE 23: ASSIGNMENTS AND TRANSFERS BY BRD

BRD may assign any of its rights or transfer by novation any of its rights and obligations, under this Agreement to another financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets and PFI shall promptly upon demand enter into such documentation as BRD may reasonably request in connection effecting any such assignment or transfer provided, however, that PFI shall have no greater obligations or liabilities under this Agreement nor any of its rights or benefits hereunder diminished as a result of such transfer and assignment.

PFI may assign any of its rights or transfer by novation any of its rights and obligations, under this Agreement to another bank or financial institution or other entity similar institution with notice to BRD and BRD shall promptly upon demand enter into such documentation as PFI may reasonably request in connection effecting any such assignment or transfer provided, however, that BRD shall have no greater obligations or liabilities under this Agreement nor any of its rights or benefits hereunder diminished as a result of such transfer and assignment.

Prior to BRD giving its approval to such assignment, an assessment will be conducted to determine if the assignee institution meets the eligibility criteria associated with the project mentioned above.

ARTICLE 24: CONTRACT DOCUMENTS AND ORDER OF PRECEDENCE

24.1. The following documents ("Contract Documents") between BRD and PFI shall be read and construed as an integral part of this Agreement:

a. Legal Agreements
b. Environmental and Social Management Framework (ESMF)
c. Environmental and Social Commitment Plan (ESCP)
d. Environmental and Social Management System (ESMS)
e. Stakeholder Engagement Plan (SEP)
f. Labor Management Plan (LMP)
g. The Project Implementation Manual
h. This Agreement, including the Appendix and notifications hereunder.

24.2. In the event of any ambiguity or conflict between the Contract Documents listed above, the order of precedence shall be the order in which the Contract Documents are listed above.

ARTICLE 25: ENTIRE AGREEMENT

This Agreement contains the entire agreement and understanding between the parties, superseding all prior contemporaneous communications, representations, agreements, and understandings, oral or written, between the parties with respect to the subject matter hereof. This Agreement may not be modified in any manner except by written amendment executed by each party hereto.

ARTICLE 26: TAKING EFFECT

This agreement takes effect from the date of its signature.

Done in three original copies, Kigali, on ……………………

<u>For the BRD</u>

[name of the person] **Company Secretary & General Counsel**	**[name of the person]** **Chief Executive Officer**

<u>Witness</u>

[name of the person]
Head of Business Development

<u>For and on behalf of the PFI</u>

[name of the person]
Company Secretary

[name of the person]
Chief Executive Officer

<u>Witness</u>

[name of the person]
[position]

Annex 2: Standard Template for Disbursement Agreement between BRD and PFI

DISBURSEMENT AGREEMENT NO .... /202 ... /CS&GC

This Agreement is made by and between the undersigned parties:

THE DEVELOPMENT BANK OF RWANDA "BRD" PLC, a Public Company Limited by Shares, with an authorized share capital of 150,000,000,000 FRW, incorporated on August 5, 1967, company code N° 100003547, whose head office is in Kigali, Postal Office Box 1341 Kigali, hereby officially represented by **[insert the name of the person]** and **[insert the name of the person],** Company Secretary & General Counsel and the Chief Executive Officer respectively, in accordance with the powers conferred to them by the Board of Directors, hereunder referred to as **"BRD"**, on the one part,

and

[Insert the name of the PFI], a public company limited by shares, duly incorporated in Rwanda with company code n° [insert the code], whose head office is at [insert the officer address], Rwanda, hereby officially represented by **[insert the name of the person]**, Chief Executive Officer, hereinafter referred to as the **"PFI"**, on other hand;

Herein collectively referred to as the "**Parties**", each a "**Party**".

WHEREAS, the Parties entered into a Participating Agreement dated [insert the date of the Agreement signed with PFI] ("Participating Agreement") for the purpose of access to finance for recovery and resilience.

WHEREAS, PFI submitted a disbursement request dated [insert the date] for extending sub-loans of [insert the total sub-loan amount requested] to [insert the number of sub-loans/Final Beneficiaries] namely [insert the name of the Final Beneficiaries] under Access to Finance for Recovery and Resilience Project hereinafter referred to as the "**AFIRR Project**".

WHEREAS, BRD has issued disbursement notification letter with [insert reference number] dated [insert the date] to the PFI subject to fulfilment of the conditions for disbursement stated therein.

WHEREAS, disbursing the funds, the Parties shall be relying on the terms and conditions set forth in the Participating Agreement, which shall be binding on the Parties.

WHEREAS, Article 6.1 of the Participating Agreement states that BRD shall sign the Disbursement Agreement with the PFI indicating the amount of individual sub-loans and its purpose.

Now, therefore, in consideration of the premises above and the mutual agreements set forth herein the parties agree as follows:

ARTICLE 1: APPROVAL OF DISBURSEMENT

Following the issuance of disbursement notification letter and fulfilment of the conditions for disbursement stated therein by the PFI, the Parties have mutually agreed on the **first (1st)** disbursement of sub-loans amounting to FRW [insert the first disbursement amount] to be strictly utilized as sub-loans for Final Beneficiaries operating throughout the country for the activities in line with the PIM.

Details of the sub-loans

SN	Sub-loan Beneficiary	Sub-loan amount	Business sector/ sub-sector	Purpose
1		FRW		
2		FRW		
3		FRW		
4		FRW		
5		FRW		
…		FRW		
	Total	**FRW ....**		
• Provide the relevant business sector/sub-sector from the ISIC list provided on Annex 6 of the PIM. • The purpose should be for refinancing, working capital, investment or any of the combination.				

ARTICLE 2: ACCOUNT DETAILS

The parties agree that the sub-loan for a sum of [insert the amount] shall be disbursed by BRD in favour of above sub-loan beneficiaries through the account details mentioned below:

Account Name: [insert the account name of the PFI]
Account No.: [insert account number of the PFI]
Bank name: [insert the bank name where the account of the PFI is opened]

ARTICLE 3: SUB-LOANS TERMS AND CONDITIONS

3.1. PFI shall disburse the Sub-loans strictly to the Final Beneficiary stated in the above table. Disbursement of the Sub-loans to beneficiaries other than stated above shall require a prior written consent from BRD.
3.2. PFI shall commit all the funds received from BRD within a period of 6 months. BRD shall have right to call back any uncommitted funds with a prior notice of 30 days after the expiry of a 6-month commitment period.
3.3. PFI shall take full credit risks for all the Sub-loans extended to the Final beneficiary.
3.4. The repayment from PFI shall be on equal quarterly installment (diminishing balance) payment basis, except for the first 3 years of grace period.
3.5. BRD after the disbursement is made shall issue an amortization schedule to PFI indicating the payment due date, repayment amount (interest plus principle amount), beginning and ending balance, and the BRD bank account to which the repayment amounts shall be deposited. The PFI is required to repay the loan on each due date.
3.6. The PFI shall repay interest amount during grace period on a quarterly basis as stipulated on the disbursement schedule shared by BRD.
3.7. BRD shall issue a revised amortization schedule if any uncommitted funds have to be called back or if PFI makes prepayment of part of the loan amount.
3.8. The sub-loan shall have a duration of 15 years including up to a 3 years of grace period from the date of disbursement made.
3.9. BRD shall charge the interest and fees and commission on the sub-loan following the conditions stipulated on the Article 3 of the Participating Agreement.

ARTICLE 4: DUE AUTHORIZATION

[insert the name of the person], Chief Executive Officer of the PFI shall represent as an authorized representative to execute necessary documents for the sub-loans to be extended to the eligible sub-loan beneficiaries.

ARTICLE 5: ENTIRE AGREEMENT

The Participating Agreement, disbursement notification letter, and this Agreement shall constitute the entire agreement of the parties regarding the subject matter hereof and supersedes all prior agreements and understandings, both written and oral, between the parties concerning the subject matter hereof.

ARTICLE 6: DEFINED TERMS

Terms in this Agreement which are capitalized but not defined shall bear the respective meanings given to them in the Participating Agreement.

ARTICLE 7: COMMENCEMENT

This Agreement shall commence from the date of its signature by both parties. This Agreement has been executed by the Parties on the date signed below.

Done in three original copies, Kigali, on ....

For the BRD

[insert name of the person]
Company Secretary & General Counsel

[insert name of the person]
Chief Executive Officer

For the PFI

[insert name of the person]
Chief Executive Officer

Witness

From BRD

[insert name of the person]
[insert position]

From the PFI

[insert name of the person]
[insert position]

Annex 3: Template for Sub-loan Agreement between BRD and Business Enterprises

TERMS AND CONDITIONS OF THE AGREEMENT

This Agreement is made by and between the undersigned parties:

The Development Bank of Rwanda Plc "BRD", a Public Company Limited by Shares, with an authorized share capital of 150,000,000,000 FRW, incorporated on August 5, 1967, company code n° 100003547, whose head office is in Kigali, Postal Office Box 1341 Kigali, hereby officially represented by **[insert the name]** and **[insert the name]**, Company Secretary & General Counsel and the Chief Executive Officer respectively, in accordance with the powers conferred to them by the Board of Directors, hereunder referred to as the **"BRD or the Lender"**

and

[Insert the name of the Business Enterprise], a Public/private limited company with share capital amounting to FRW [insert the amount], having its registered office at [insert province], [street number], [postal address] registered in the Register of companies with Company code: [insert company code] at the Office of General Registrar, represented by **[insert the name of the authorized person]** and **[insert the name]** respectively [insert the position]; (herein after referred to as "**Business Enterprise or Final Beneficiary or Borrower**", on the other part.

Hereinafter also known as **the Parties.**

WHEREAS: under the Financing Agreements dated June 23, 2021, between the Republic of Rwanda ("GoR") and the International Development Association ("World Bank"), the World Bank agreed to provide the GoR with a loan (Loan No. 6927-RW and 6926-RW) and a grant (Grant No. D852-RW) to assist in financing the Access to Finance for Recovery and Resilience Project ("AFIRR Project"), which is described in Schedule 1 to the Financing Agreement.

WHEREAS, under the Loan Agreement dated August 20, 2021 ("Loan Agreement", between the GoR and the Asian Infrastructure Investment Bank ("AIIB"), the AIIB agreed to provide the GoR with a loan (Loan No. L0483A) to assist in co-financing the AFIRR Project, which is described in Schedule 1 to the Loan Agreement.

WHEREAS, the World Bank and the AIIB have agreed, on the basis, *interalia*, of the foregoing to extend the financing provided under the Financing Agreement and the Loan Agreement to the GoR upon the terms and conditions set forth in the Financing Agreements and the Loan Agreement.

WHEREAS, the GoR delegated the responsibility for implementation and management of AFIRR to BRD, and, in this regard, the GoR has provided a portion of the financing to BRD for purposes of BRD implementation of the AFIRR Project.

WHEREAS, the World Bank has entered into a Project Agreement with BRD, dated July 8, 2021, in connection with the Financing Agreements for the AFIRR Project.

WHEREAS, AIIB has entered into a Project Agreement with BRD dated August 20, 2021 (together with the Financing Agreements, the Loan Agreement, and the Project Agreement between the World Bank and BRD, the "Legal Agreements"), in connection with the Loan Agreement for the AFIRR Project.

WHEREAS, BRD has agreed to implement Sub-component 1.2, Sub-component 1.3 and Component 3 of the AFIRR Project, in accordance with the Legal Agreements.

WHEREAS, BRD having satisfied itself as to the eligibility to participate in the implementation of the AFIRR Project, in accordance with the Legal Agreements and the Project Implementation Manual ("PIM"), has offered Final Beneficiary to assist in the implementation of the Sub-component 1.2 and Sub-component 1.3 the AFIRR Project;

WHEREAS, [insert the name of the Business Enterprise] has agreed to join as a Final Beneficiary by receiving financing ("Sub-loan") for eligible business activities under the terms and conditions set forth in this Agreement and in accordance with the Legal Agreements and the PIM.

The Parties hereby agree as follows:

ARTICLE 1: DEFINITIONS

1.1 **Business Day** shall represent any day other than Saturday, Sunday and any day which is Kigali, Rwanda, a legal holiday or a day on which banking institutions are authorized or required by law or other government action to close.
1.2 **Commitment interest** shall mean charges paid by the Final Beneficiary in return of the Lender's commitment to make funds not yet disbursed available.
1.3 **Covenants** shall mean promises by the Final Beneficiary that certain activities specified in this Agreement will or will not be carried out.
1.4 **Credit Reference Agencies** shall represent a company that collects information from various sources and provides credit information on Final Beneficiaries for a variety of uses.
1.5 **Cure period** shall mean a contractually designated timeframe during which the Final Beneficiary can fix a default.
1.6 **Event of default** shall mean the occurrence of an event which allows the Lender to demand repayment of the Loan in advance of its normal due date or to have recourse to any other remedy as stated in Article 19.
1.7 **Grace period** is a time period allowed by the Lender to the Final Beneficiary for which the latter is exempted from paying principal repayments of the Loan without any penalty.
1.8 **Intercompany loans** shall mean any loans owed by the Final Beneficiary to its group of the companies or any member of the group.
1.9 **Intercreditor Agreement** is the active agreement entered by the Final Beneficiary with other creditors.
1.10 **Interest and Principal payment dates** are the dates specified in the amortization schedule on which the interest and principal payments are due.
1.11 **Interest rate** shall mean a rate expressed in percentage per annum at which the amount charged on the outstanding principal loan over time is calculated.

1.12 **Liens** shall represent any mortgage, pledge, hypothecation, assignment, deposit, arrangement, security interest, encumbrance, lien, charge, preference, priority or other security agreement of any kind or nature whatsoever (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, any financing or similar statement or notice filed under any recording or notice statute, and any lease having substantially the same effect as the foregoing.

1.13 **Loan notification letter** is a letter addressed to the Final Beneficiary notifying the offer by the Lender and summarizing terms and conditions of the Loan and which parties to this Agreement do consider as integral parts of this Agreement.

1.14 **Loan or Sub-loan or Direct Loan** shall mean an amount (or sum of amounts) received from the Lender by the Final Beneficiary and which the latter is obligated to pay back with interests, commissions, and other fees at a later time.

1.15 **Management fee** shall mean the fee charged by the Lender for the management of the Loan offered to the Final Beneficiary.

1.16 **Penalty** shall mean an additional payment required for not fulfilling the obligations under this Agreement with regards to due payments.

1.17 **Representations and warranties** shall mean the Statements by which the Final Beneficiary gives certain assurances to the Lender and on which the Lender may rely.

1.18 **Restructuring** shall mean the Amendment to initial conditions and terms of this Agreement.

1.19 **Service commission** shall mean fees charged by the Lender for its service for appraising and offering the Loan to the Final Beneficiary.

1.20 **Permitted Indebtedness** shall represent

- the Direct Loan;
- any indebtedness existing as at the date of this Agreement;
- any Intercompany Loan;
- any other unsecured financial indebtedness not exceeding FRW [insert amount];
- Any other indebtedness approved in writing by the Lender prior to such indebtedness being incurred by the Final Beneficiary.

1.21 **Permitted Liens** shall represent

- Liens securing the obligations incurred in connection with the Loan;
- Liens securing the obligations of the Final Beneficiary under the loan agreement dated [insert the date] between [insert the name of the creditor other than BRD, if any] and the Final Beneficiary (the “Intercreditor Agreement”);
- Liens incurred in the ordinary course of the Final Beneficiary’s business and that do not secure indebtedness for borrowed money;
- Liens for taxes, assessments or governmental charges or levies being contested in good faith and by appropriate proceedings for which adequate reserves have been established in accordance with applicable accounting principles;
- Liens in respect of property or assets of the Final Beneficiary imposed by applicable law, which were incurred in the ordinary course of business and do not secure indebtedness for borrowed money, such as carriers’, warehousemen’s, materialmen’s and mechanics’ liens, and (x) which do not materially detract from the value the Final Beneficiary’s property or assets or materially impair their use in the operation of the business of the Final Beneficiary or (y) which are being contested in good faith by appropriate proceedings which have the effect of preventing the forfeiture or sale of the property or assets subject to any such Lien;
- Liens placed upon equipment or machinery acquired after the date of this Agreement and used in the ordinary course of business of the Final Beneficiary and placed at the time of

the acquisition thereof by the Final Beneficiary or within ninety (90) days after the acquisition thereof to secure indebtedness incurred to pay all or a portion of the purchase price thereof or to secure indebtedness incurred solely for the purpose of financing the acquisition of any such equipment or machinery or extensions, renewals or replacements of any of the foregoing for the same or a lesser amount; or

- Liens in the form of foreign currency deposits to commercial banks incorporated in Rwanda to secure local currency debt.

ARTICLE 2: AMOUNT OF THE SUB-LOAN FINANCE

2.1 Under the terms of this Agreement, BRD shall finance a line of credit facility amounting to FRW [insert the sub-loan amount) to which the Final Beneficiary declares to have no-objection.

2.2 The principal amount of the Sub-loan shall be equal to the sum of all the disbursements made by BRD to the Final Beneficiary.

ARTICLE 3: SUB-LOAN FINANCING PURPOSE

3.1. BRD agrees to finance the approved sub-loan amount on terms and conditions set forth or referred to in this Agreement to Final Beneficiary for the provision of financing to eligible business activities.

3.2. The BRD agrees to extend the sub-loan amount exclusively for financing the Sub-projects as a facility to access an affordable long-term line of credit.

ARTICLE 4: TERMS AND CONDITIONS OF THE SUB-LOAN

The Lender shall have the following rights under this Agreement:

4.1. Suspend or terminate the right of the Final Beneficiary to use the proceeds of the Sub-loan, or obtain a refund of all or any part of the amount of the Sub-loan then withdrawn, upon the occurrence of an event of default which is continuing.

4.2. Require the Final Beneficiary to: (A) carry out its sub-project with due diligence and efficiency and in accordance in all material respects with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to (i) the World Bank, including in accordance with the provisions of: (1) the Anti-Corruption Guidelines applicable to the Final Beneficiary; and (2) the Safeguards Instruments required for the project; and (ii) AIIB, including in accordance with the provisions of its Policy on Prohibited Practices; (B) provide, promptly as needed, the resources required for the purpose set out in Article 3 of this Agreement; (C) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with [indicators reasonably acceptable to the World Bank/AIIB], 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) have such financial statements audited by independent auditors acceptable to the Lender (as the case may be the World Bank/AIIB) and furnish the statements as so audited to the Lender(or as the case may be the World Bank/AIIB or); (E) enable the World Bank/AIIB or the Lender, as the case may be, to inspect during normal business hours the sub-project, its operation and any relevant records and documents subject to reasonable prior notice but not more frequently than quarterly and, in each case, to the extent reasonably necessary for the Lender to monitor compliance by the Final Beneficiary with its obligations under this Agreement; and (F) prepare and furnish to the World Bank/AIIB or the Lender, as the case may be, on a quarterly basis all such information as the World Bank/AIIB or the Lender shall reasonably request relating to the foregoing and required for the monitoring of the fulfillment of the Final Beneficiary's obligations under this Agreement.

4.3. Monitor the Final Beneficiary's portfolio, on a quarterly basis in accordance with Article 17.

4.4. Receive consistent and valid information for the appraisal of the Loan.

4.5. Provide consent to the Final Beneficiary to contract additional loans other than Permitted Indebtedness.

4.6. Require the Final Beneficiary to have a comprehensive insurance of its property and workforce to insure against loss or damages that may arise from unexpected circumstances whilst uncontrollable in the hands of the Final Beneficiary.

4.7. BRD shall extend the Sub-loan to Final Beneficiary as follows: An application will be made by the Business Enterprise to BRD for the loan for their business-related investment and or associated working capital finance. BRD will appraise the eligibility and creditworthiness of the Business Enterprise as well as the eligibility and feasibility of the related investment. If BRD is satisfied that the Business Enterprise is creditworthy and the business makes sense, and that all applicable eligibility criteria are met, BRD shall issue a term-sheet to the Business Enterprise and submit the Sub-loan for approval by its credit committee, following applicable credit risk appraisal, management procedures, and no-objection from the World Bank (first sub-loan). Once the World Bank provides no-objection and credit committee approves the Sub-loan, BRD shall issue a notification letter with conditions precedents and finally sign the Sub-loan Agreement with the Borrower.

The Borrower shall have the following rights and obligations under this Agreement:

4.8. Furnishes the request (or demand) letter requesting BRD for the disbursement of the Sub-loan. The Sub-loan amount shall be disbursed against the disbursement schedule agreed between the Parties. Each disbursement is subject to the fulfilment of conditions precedent related to the disbursement.

4.9. Receive an additional tranche of Sub-loan amount once the previous disbursement is fully utilized for the eligible expenditures. The application for additional tranche shall include all required documentation including details on how the previous tranche has been used.

4.10. Fully adhere with the principles, eligibility criteria and procedures set forth in the AFIRR PIM, and all the terms and conditions set out in the Legal, including the obligation to carry out the AFIRR Project in accordance with the World Bank Anti-Corruption Guidelines, the Environmental Safeguard Review Framework and AIIB's Policy on Prohibited Practices.

4.11. Return the principal loan amount and all the interest and commissions before due date as agreed on the amortization schedule without any default. The payments payable under this Agreement shall be in FRW.

4.12. For all expenditures with respect to which withdrawals from the Sub-loan Account were made on the basis of statements of expenditure, the Borrower shall:

   a. maintain records and accounts reflecting such expenditures, including evidence showing that the Sub-loan proceeds were used exclusively for eligible expenditures.
   b. retain until at least three years after BRD and the World Bank/AIIB have received the audit report for the fiscal year in which the last withdrawal from the Sub-loan Account or payment out of the Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
   c. enable BRD and the World Bank's/AIIB's representatives to examine such records with prior notice; and

d. ensure that such records and accounts are included in the annual audit referred to in Auditing and Accounting provision of this Agreement and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

4.13. If BRD or the World Bank/AIIB shall determine at any time that any payment: (a) was not made for an eligible expenditure or was made in an amount not eligible; or (b) was not justified by the evidence furnished to BRD, the Final Beneficiary shall, promptly upon notice from BRD: (i) provide such additional evidence as BRD or the World Bank/AIIB may request; or (ii) deposit into the account specified by BRD an amount equal to the amount that was not eligible or not justified.

ARTICLE 5: INTEREST CHARGES AND PAYMENTS

5.1. The withdrawn and outstanding balance of Sub-loan financing shall bear interest at a rate equal to 8.0% per annum subject to annual monitoring and adjustment based on market conditions.

5.2. The Sub-loan extended for the purpose of refinancing of existing businesses affected by COVID-19 shall bear interest at a rate equal to 5.0% per annum. The list of businesses eligible for refinancing is provided on the AFIRR PIM.

5.3. The interest shall be due quarterly (or monthly), including the interest during grace period.

5.4. Interest for Sub-loan financing shall be paid to the settlement account as specified by BRD.

5.5. The interest rates taxable on all overdue amounts shall, in addition, automatically incur default interest at a rate of 4% per month on the amount in arrears without having to notify the Borrower, in case of failure to honour the due instalment as earlier agreed.

5.6. In the event of the restructuring of the Sub-loan, BRD shall be entitled to charge a fee equivalent to …. % of the restructured amount plus 18% VAT.

5.7. Prepayment fees: ….. % of the principal outstanding amount, including accrued interest plus 18% VAT, with 30 days prior notice in the event the loan is refinanced by the Final Beneficiary.

5.8. Management Fee: …% per annum on the outstanding principal amount.

5.9. Service commission: ….% (one time) on the total sub-loan amount disbursed to the Borrower.

5.10. Any interest, commission or fee shall accrue on a day-to-day basis, calculated according to the actual number of days elapsed and a year of 360 days.

5.11. A waiver fee equal to FRW 200,000 will be applicable for any material waiver to this Agreement.

ARTICLE 6: REPAYMENT

6.1. The Borrower shall repay the principal and interest amount of Sub-loan financing due in accordance with the amortization schedule set forth once each disbursement is made.

6.2. The Borrower shall repay the Sub-loan plus interest after a grace period of three (3) years counted from the date this Agreement is effective.

6.3. After the grace period, the Borrower shall repay the entire disbursed tranche plus interest on a quarterly (or monthly) basis for a period of twelve (12) years.

6.4. The Borrower shall repay the Sub-loan or any portion thereof before the agreed due date upon demand being made by BRD:

a. if the Sub-loan or any portion thereof has been financed by another lender.
b. if the Borrower fails on a due date to repay any part of the Sub-loan, or to pay interest thereon, or to make any other payment due.
c. if the Final Beneficiary cease to exist.
d. if this Agreement is terminated by BRD or by the Borrower in accordance with terms and conditions set in this Agreement.
e. if the Borrower does not follow procedures, as specified in the AFIRR PIM.
f. if any information or document related to this Agreement concerning Sub-loans proves to have been untrue or incorrect; and/or if any given information concerning the Final Beneficiary proves to have been knowingly incorrect; or if the Borrower in said cases did not make reasonable efforts to check the correctness of information.

6.5. The Borrower shall sign and submit a standing order authorizing the debit of the instalments from his account in favour of the Lender for reimbursing the Sub-loan amount.

6.6. The Final Beneficiary may repay the Sub-loan in advance, either in whole or in part, but with a prior written notice of at least thirty (30) days. Any amount to be applied in prepayment of the Sub-loan shall be applied to satisfy the repayment obligations.

6.7. As for any other repayment that may be effected in any other place than Rwanda, upon the request of the Final Beneficiary, fees or commissions accrued thereof shall be the onus of the latter. Subject to the terms of the Intercreditor Agreement, all payments received by the Lender shall be deducted from the total amount the Final Beneficiary owes the Lender in the following order of priority: miscellaneous costs, commissions, fees, penalties, interests and the Principal.

6.8. The costs, Lender's rights and the fees accrued from this Agreement or any other costs reasonably incurred (to the extent agreed in advance by the parties) by the Lender on behalf of the Final Beneficiary in connection with this Sub-loan shall wholly be the onus of the latter.

6.9. Subject to the terms of the Intercreditor Agreement, the Final Beneficiary grants the Lender the right to set-off deposits, funds, monies and other obligations owed to the Final Beneficiary by the Lender upon the occurrence of an event of default which is continuing under this Agreement.

6.10. If the Final Beneficiary fails to cure any event of default on or before the expiration of the ninety (90) day-cure period that starts on the date the Final Beneficiary receives written notice from the Lender that an event of default has occurred under this Agreement, the entire unpaid principal, accrued interest, and penalties under this Agreement shall accelerate and become due and payable immediately.

6.11. The repayments shall be made available on account as specified by BRD.

ARTICLE 7: LOAN TENURE

This Agreement shall have a duration of a period of fifteen (15) years from the date of the Agreement signed. This Agreement shall be renewed if deemed necessary.

ARTICLE 8: DISBURSEMENTS

8.1. The disbursement on each portion of Sub-loan shall be made upon the disbursement request letter shared by the Final Beneficiary with BRD.

8.2. The disbursement request letter shall specify the bank account to which the disbursement should be made. Each request letter should have been supported by the details on how the previous disbursement was utilized.

8.3. The amount of the sub-loan shall be disbursed in instalments after the effective fulfilment of conditions set forth in the Loan Notification Letter [insert loan notification number and the date] addressed to the Final Beneficiary by the Lender.

8.4. The Final Beneficiary can, after payment of the service commission, renounce the use of the Loan. The Lender may equally refuse to disburse the whole or part of the Loan, if the Final Beneficiary does not satisfy the conditions set out in this Article 8.5 or if the term of the Loan set out in Article 7 expires.

8.5. Disbursement of the Loan shall be made upon fulfilment of the conditions below:

a. Signature of tripartite agreements between the Lender, each of the Network service providers (MTN and Airtel) and the Final Beneficiary if the Final Beneficiary receives revenue via mobile money accounts.
b. Creation of a Debt Service Reserve Account, with a minimum balance of 1 installment payment (principal and interest payment).
c. Registration of the collateral listed on the Loan Notification Letter.
d. Submission of updated loan statements from existing lenders.
e. Declaration of all company loans.
f. Specify any other conditions precedents….

ARTICLE 9: SECURITIES AND GUARANTEES

9.1. In order for the Lender to be guaranteed the repayment of any amount of the Sub-loan or any other kind of Lender fees incurred in connection with this Agreement, the Final Beneficiary has provided to the Lender security and a guarantee for the duration of the Sub-loan as follows:

a. Any credit guarantee facility if such facility is provided to the Lender by the guarantor
b. The list of collaterals as shared with the Lender together with the Loan Notification Letter in respect of which the Final Beneficiary hereby agrees to grant a first ranking pledge to the Lender.
c. Promissory note
d. Corporate guarantee
e. Comprehensive insurance

9.2. The Final Beneficiary irrevocably consents that the Lender may assign and transfer all or part of its rights, titles and interests on the aforementioned security and guarantee to a third party including a lending institution, replacement lender or additional lender, without further approvals of the Final Beneficiary.

ARTICLE 10: REGISTRATION OF SECURITIES

10.1. The Final Beneficiary hereby constitutes and appoints any staff so authorized by the Lender to be his true and lawful attorney in order to do and perform any and all acts and things reasonably necessary and proper for carrying out the registration of the securities, on the 1st rank in favor of the Lender for the period of the Sub-loan, over the security interest created pursuant to Article 9 over the Pledged Receivables, at the Office of the Registrar General, in order to secure the following loan:

- The total Loan amounting to [insert the sub-loan amount] with the owed interests and commissions.
- The total amount to be listed for purposes of security registration is [insert the value of the amount that will be registered for the security purpose].

10.2. The Final Beneficiary hereby declares that the Pledged Receivables are exclusively their own and they are not collateralised as securities in any financial institution or elsewhere, and that there is no other legal commitment binding the said collateral likely to take precedence over the present collateral either by the State of Rwanda or by any other person whatsoever, other than the Intercreditor Agreement.

10.3. The Final Beneficiary further declares to have paid all duties on the secured assets for the current year and expressly undertake to pay, in future and on time, any other costs accrued to the aforementioned assets.

10.4. The Lender shall redeem the Pledged Receivables once the Final Beneficiary pays off all the amount due to the Lender i.e. the principal, interests and/or any other kinds of Lender fees owing under this Agreement.

ARTICLE 11: REPRESENTATIONS AND WARRANTIES

The Final Beneficiary represents and warrants to the Lender that:

11.1. it has legal capacity and power to enter into, perform and deliver this Agreement, own its assets and carry on its business.

11.2. it is not insolvent and is able to pay its debts as they fall due in the normal course of business, there is no suspension of payments, no negotiations to reschedule indebtedness, no moratorium and assets not less than liabilities.

11.3. all authorizations required in connection with the Sub-project and this Agreement are in full force and effect and not subject to any challenge or revocation or similar proceedings.

11.4. Rwandan law and jurisdiction will be recognized and enforced.

11.5. there is no event of default and no other breach or default which has, or is reasonably likely to have, a material adverse effect.

11.6. the opinions, financial projections and forecasts contained in the business plan of the Final Beneficiary were prepared in good faith and on the basis of assumptions that in the opinion of the Final Beneficiary were reasonable at the time made and represented the Final Beneficiary's views. Nothing has occurred to make any such opinions, financial projections or forecasts misleading in any material respect save as disclosed in writing to the Lender prior to the date of this Agreement.

11.7. save as disclosed in writing to the Lender prior to the date of this Agreement, to the best of the Final Beneficiary's knowledge and belief, all written information provided to the Lender pursuant to this Agreement from time to time are true, complete and accurate in all material respects as at the date provided and not misleading in any material respect and disclosed to the Lender without breaching any confidentiality obligations.

11.8. the Final Beneficiary's audited financial statements are prepared in accordance with internationally recognized accounting standards and present fairly and accurately in all material respects the Final Beneficiary's financial conditions and operations at the date of and for the periods referred in the Financial Statements.

11.9. save as disclosed in writing to the Lender prior to the date of this Agreement, to the knowledge of the Final Beneficiary, there are no investigation, litigation, arbitration proceedings started or threatened which, if adversely determined, would be reasonably likely to have a material adverse effect, and

11.10. no corporate action, other steps or legal proceedings has been started or (to the best of the Final Beneficiary's knowledge and belief) threatened, for its winding up, dissolution, administration or reorganization or for the enforcement of any security or for the appointment of any receiver or similar officer.

ARTICLE 12: COVENANTS

12.1. In consideration of BRD agreeing to extend loan facilities to the Final Beneficiary, the latter hereby irrevocably and unconditionally covenant to provide a Negative pledge over Final Beneficiary's assets to BRD. The Final Beneficiary declares that it holds full and incontestable ownership over all the existing property, and that they are free from any form of seizure, whether judicially or by private agreement.

The Final Beneficiary undertakes as follows:

12.2. Affirmative covenants to

a. execute his/her contractual obligations in good faith.
b. execute its sub-project, for which this Sub-Loan was provided, with due diligence and efficiency and in conformity in all material respects with appropriate administrative, technical, financial, economic and environmental practices, including the provisions of the World Bank Anti-Corruption Guidelines and the Safeguard Instruments and AIIB's Policy on Prohibited Practices.
c. promptly after the Final Beneficiary becoming aware, to inform the Lender of any event or any situation which would have a material adverse effect on the ability of the Final Beneficiary's ability to perform the obligations that binds him under this Agreement.
d. inform the Lender of any default, litigation, arbitration or administrative proceedings which, if adversely determined, is reasonably likely to have a material adverse effect.
e. inform the Lender in advance of any decision likely to change the name or headquarters of its business.
f. deliver to the Lender notice of a change of a director, agenda for annual meeting, resolutions of any annual general meeting or any extraordinary general meeting as soon as they become available.
g. pay costs that may reasonably be necessary for the total investment and successful implementation of the Sub-project financed.
h. pay and discharge all fees, taxes and charges in relation to the execution of this Agreement during the whole period of the Loan.
i. prematurely repay the Loan in the event of expropriation of all or substantially all of the Pledged Receivables.
j. submit to the Lender its financial statements audited within one hundred twenty (120) days from the end of the fiscal year.
k. maintain appropriate levels of insurance with reputable insurance companies in relation to its business as at the date of this Agreement the Final Beneficiary has in place those insurance policies.
l. comply in all material respects with all laws and regulations of Rwanda as well as the requirements set out in the Financing Agreements to which they are subject and especially with environmental and social safeguard practices.

12.3. Negative covenants not to

a. enter into any loan agreement with any other Lender or grant any credit to or for the benefit of any person without the Lender's consent (in each case, other than Permitted Indebtedness).
b. contribute any asset secured in favour of the Lender as security to be used for another firm/enterprise, either in whole or in part and allowing any third-party other than the Lender, to pawn as a kind of valuable Guarantee in whole or in part, such secured assets, in each case other than Permitted Liens.
c. stand guarantee for any third-party.
d. use the Sub-loan funds granted to the Final Beneficiary in criminal acts and in any acts by far or at a close range related to crimes.
e. grant, lend, transfer or give for lease the Pledged Receivables or part of it without the consent of the Lender (in each case other than (i) in the ordinary course of business and (ii) Permitted Liens).
f. take advantage of any delays made by the Lender to avail payments, or its failure to certify of unpaid bills or to meet the legally acceptable period of passing information for non-payment.
g. with the Lender's prior consent, make any material change to the general nature or scope of their business from that carried on at the date of this Agreement or commence any business other than that presently being conducted.
h. pay, declare or distribute dividends where there is a continuing event of default or default or where such payment, declaration or distribution would cause an event of default or default, and
i. without the prior written consent of the Lender, open any Debt Service Reserve Account other than the accounts notified to the Lender prior to the date of this Agreement.

ARTICLE 13: REFINANCING

The businesses that have already been financed by BRD from its own funding sources, where the Business Enterprise meets the eligibility criteria, shall be refinanced from the Project. The eligible BRD financing should have been extended within a reasonable period and the proposal for refinancing has to demonstrate the additionality of AFIRR funding. The refinancing will be provided to the sectors identified by MINECOFIN.

ARTICLE 14: PARI-PASSU

The Lender shall ensure that BRD's rights under this Agreement will, at all times until full repayment of the loan amount, be ranked equally with all the Lenders other unsecured and unsubordinated financing.

ARTICLE 15: ELIGIBILITY CRITERIA

15.1. The Business Enterprise shall ensure that it continues to meet the eligibility criteria at all times, including:

- **Licensed with adequate ownership structure**. BEs shall need to demonstrate financial solvency and fully compliant of all expected legal, statutory, regulatory approvals to conduct business in Rwanda. Businesses should be duly licensed with identification TIN number assigned by tax authorities. The owners and managers of the enterprise must be 'fit and proper'. BEs shall be required to be Tax Compliant and compliant with Rwanda

Social Security Board statutory deductions. BEs shall be required to have satisfactory credit bureau report.

- **Profitable and creditworthy**. Those business operating before COVID-19 should have been in a sound financial condition during pre-COVID-19 as at end February 2020. Financial viability of the business will be determined based on its financial history and its business plan, which should provide current and projected financial positions.
- **Adequate funding**. Businesses should have a defined funding strategy with no obvious gaps or constraints on additional funding. BEs will be required to contribute a minimum of 30 percent of the total project cost as counterpart financing.
- **Quality of operations**. Businesses should have a sound business plan with proven resources to efficiently carry out operations at the functional level, including organization, management, staff, financial and others. The business plan must demonstrate the financial viability of the proposed investment and its contribution to economic recovery, especially through job creation.
- **Adequate collateral**[15]. Businesses should provide adequate collateral or guarantees for the BRD loan as per BRD requirements.
- **Warranty and after-sales service**. Businesses must have an established and active after-sales service capability.
- **Adequate accounting systems and management information and well-organized IT support**. Businesses should have been providing good accounting, bookkeeping, management reports, and adequate system software support.
- **Compliance with Environmental and Social (E&S) safeguard practices**. Businesses must incorporate and comply with AFIRR E&S safeguard aspects throughout the implementation of sub-project as defined in the project documents.
- **Plan clearly demonstrating the expected impact of AFIRR LoC in recovery of business turnover.** Businesses seeking for working capital should have a clear plan on how they will recover their businesses and ultimately reach their pre-COVID-19 levels. The plan should have a comparison demonstrating negative impact of COVID-19 on their business operations of at least 20% reduction in sales comparing pre COVID-19 with the latest twelve months in operations.
- **Quality of debt service capacity.** Businesses who had existing debt facilities from PFIs or BRD should have been performing debt service as class 1 & 2 as at end February 2020 (pre-COVID-19 situation).
- **Compliance with RRA tax clearance.** Where applicable, businesses should present RRA tax clearance certificate as at end February 2020 as evidence of good tax standing as of pre-COVID-19 situation.

15.2. Business Enterprise shall enable the World Bank/AIIB to receive, as needed, information on the following:

a. Externally audited financial statements for the previous two years, including external audit opinion and recommendations.

b. If audited financial statements are not available, un-audited financial statements as of the last six months, or as late as they are available. These should specifically include balance sheet, income statement, asset classification and provisioning levels.

c. Names of its significant owners holding more than 10% of shares. Summary information for each significant owner including connected parties – individuals or other companies.

[15] The collateral does not necessarily mean the physical collateral such as land and equipment. BRD/PFI can extend LoC against a Balance Sheet Financing concept, subject to the appraisal of the loan and capacity of the BE.

d. Organizational chart and governance structure. Names of and brief CVs of key senior managers.
e. Copy of policies, procedures and guidelines related to the business operation.

ARTICLE 16: IMPLEMENTATION REQUIREMENTS

16.1. BRD shall provide, promptly as needed, the Sub-loan, technical assistance, facilities, services and other resources required for the implementation of the Sub-project. The Final Beneficiary shall maintain, with terms of reference satisfactory to BRD and the World Bank/AIIB:

a. **Technology and service support unit** responsible for the procurement, demand collection, selling of good and services, and after-sale-services support throughout the whole term of this Agreement.
b. **Technically trained staff** responsible for product development, sales and marketing, innovation, pricing, etc. will be staffed with trained personnel in adequate numbers and provide, promptly as needed, services and other resources required for effective implementation of the Sub-project.
c. When applicable, **adequate policies and procedures** to enable it to appraise and manage the business, stimulate the demand, and to monitor and evaluate sales in accordance with indicators acceptable to BRD and the World Bank/AIIB.

16.2. Final Beneficiary shall exchange views with and furnish all information to BRD and the World Bank, as may be reasonably requested by BRD and the World Bank/AIIB, with regard to the progress of its activities concerning participation under the AFIRR Project, the performance of its obligations under this Agreement, and other related matters. The Final Beneficiary shall promptly inform BRD of any condition which interferes or threatens to interfere with the progress of its activities under this Agreement.

ARTICLE 17: ACCOUNTING, AUDITING AND REPORTING

17.1. The Business Enterprise shall maintain separate records and accounts adequate to reflect in accordance with this Sub-loan and sound accounting practices the operations. The Business Enterprise shall:

a. Have its financial statements and Sub-project related records and accounts audited each fiscal year, in accordance with applicable financial reporting standards, by independent auditors.
b. Furnish to BRD as soon as available, but in any case, not later than six months after the end of each year, the external audit report, of such scope and in such detail as the World Bank/AIIB and BRD shall have reasonably requested; and
c. Furnish to BRD other information concerning records and accounts and the audit thereof as the World Bank/AIIB and BRD shall reasonably request.
d. Furnish quarterly Sub-project implementation progress report in the format ascribed in the PIM.

ARTICLE 18: DISCLOSURE OF CREDIT INFORMATION

18.1. The Final Beneficiary accepts expressly and hereby allows the Lender to divulge credit information to credit reference agencies according to the Law N° 73/2018 of 31/08/2018 Governing Credit Reporting System in Rwanda.

18.2. Subject to the foregoing, the Lender will use reasonable endeavours to keep confidential any information supplied to it by or on behalf of the Final Beneficiary in connection with this Agreement, the Intercreditor Agreement, the loan notification letter, and such security and guarantee agreements signed in connection with this Agreement.

ARTICLE 19: EVENTS OF DEFAULT

19.1. Each of the events or circumstances set out in this provision Clause is an Event of Default, save for provision on Acceleration.

19.2. If the Borrower does not pay on the due date any amount payable pursuant to this Agreement at the place and in the currency in which it is expressed to be payable unless:

a. its failure to pay is caused by:
   i. administrative or technical error; or
   ii. a Disruption Event; and
b. payment is made within five Business Days of its due date.

19.3. **ELIGIBILITY CRITERIA AND OTHER OBLIGATIONS**

a. Any requirement of the eligibility criteria provision is not satisfied.
b. The Borrower does not comply with any provision of this Agreement other than those referred to in the eligibility criteria.

19.4. Any representation or statement made or deemed to be made by the Borrower in this Agreement or any other document delivered by or on behalf of the Borrower under or in connection with this Agreement is or proves to have been incorrect or misleading in any material respect when made or deemed to be made.

19.5. **CROSS DEFAULT**

a. Any Financial Indebtedness of the Borrower that is undisputed is not paid when due nor within any originally applicable grace period.
b. Any Financial Indebtedness of the Borrower is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default that is not disputed (however described).
c. Any commitment for any Financial Indebtedness of the Borrower is cancelled or suspended by a creditor of the Borrower as a result of an event of default (however described).
d. Any creditor of the Borrower becomes entitled to declare any Financial indebtedness of the Borrower due and payable prior to its specified maturity as a result of an event of default (however described).
e. No Event of Default will occur under this provision if the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (a) to (d) above is less than the current total outstanding debt to BRD.

19.6. **INSOLVENCY**

a. The Borrower:
    iv. is unable or admits inability to pay its debts as they fall due.
    v. suspends making payments on any of its debts. or
    vi. by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors (excluding BRD in its capacity as such) with a view to rescheduling any of its indebtedness.
b. The value of the assets of the Borrower is less than its liabilities (taking into account contingent and prospective liabilities).
c. Commences insolvency proceedings.

19.7. **CESSATION OF BUSINESS**

If the Borrower suspends or ceases to carry on (or threatens to suspend or cease to carry on) all or a material part of its business.

19.8. **LITIGATION**

Any litigation, arbitration, administrative, governmental, regulatory or other investigations, proceedings or disputes are commenced or threatened, or any judgment or order of a court, arbitral body or agency is made, in relation to this Agreement or against the Borrower or its assets which have or are reasonably likely to have a Material Adverse Effect.

19.9. **MATERIAL ADVERSE CHANGE**

Any event or circumstance occurs which BRD reasonably believes has or is reasonably likely to have a Material Adverse Effect on the ability of the Borrower to operate as a business.

19.10. **ACCELERATION**

On and at any time after the occurrence of an Event of Default BRD may:

a. by notice to the Borrower:
    i. cancel the Commitment whereupon it shall immediately be cancelled.
    ii. declare that all or part of the Sub-loans, together with accrued interest, and all other amounts accrued or outstanding under this Agreement be immediately due and payable, whereupon they shall become immediately due and payable; and/or
    iii. declare that all or part of the Sub-loans be payable on demand, whereupon they shall immediately become payable on demand of BRD; and/or
b. exercise any or all of its rights, remedies, powers or discretions under this Agreement.

ARTICLE 20: TRANSPARENCY

20.1. In order to assure the transparency of information, BRD shall publicize the AFIRR Project implementation related information on its website.

20.2. The Business Enterprise agrees to supply to BRD information necessary for impact evaluation on a quarterly basis. This shall include information on the Sub-loan utilization, including information on the performance of Sub-project, implementation of E&S safeguard practices, and other information that BRD may reasonably request.

ARTICLE 21: SETTLEMENT OF DISPUTES

The Parties shall use their best efforts to settle amicably all disputes arising out of or in connection with this Agreement or the interpretation thereof. Any dispute between the Parties as to matters arising pursuant to this Agreement which cannot be settled amicably within thirty (30) days after receipt by one Party of the other Party's request for such amicable settlement may resolved in accordance by competent courts of Rwanda.

ARTICLE 22: GOVERNING LAW

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by Rwanda Law.

ARTICLE 23: TERMINATION OF THE AGREEMENT

23.1. This Agreement shall be terminated upon successful repayment all outstanding Sub-loan balances, including interest and commissions, to BRD. It may be terminated earlier if suspended or terminated by the Parties.

23.2. The Borrower may, by submitting 60 days prior written notice of termination to BRD, terminate this Agreement at any point.

23.3. BRD may, by written notice of suspension to the Borrower, initiate suspension of this Agreement if the Borrower:

a. fails to be compliant with eligibility criteria and all applicable policies and procedures specified in the PIM.
b. fails to maintain the appropriate financial standards and lending practices, with qualified management and staff in adequate numbers.
c. is found to breach the established eligibility rules for clients and Sub-projects, further disbursements and access to new funding will be suspended until the Borrower has fully refunded the sub-financing related to the ineligible loans and procurements.
d. utilizes the funds for ineligible expenditures, it shall be asked to refund all Bank-financed amounts that have been improperly used. Failure to address the issue and/or refund by a given deadline would result in suspension.
e. fails to perform any of its obligations under this Agreement, or any of the obligations specified in the AFIRR PIM related to procurement, environmental screening, or other World Bank requirements set out in the Financing Agreement, it shall be asked to clean the mistakes by a certain deadline, or else refund all amounts that have been improperly used. Failure to address the issue and/or refund by a given deadline would result in full suspension.
f. fails to pay the interest and principal payments for longer than 60 days, it shall be asked to make a reimbursement by a certain deadline. Failure to cover full interest and principal due by a given deadline would result in suspension.
g. becomes insolvent, or shows negative profitability, it will be given a deadline to improve its capital and/or financial position, or else the Bank-funded credit portfolio will be moved to BRD or another bank which continues to meet the criteria. Such a bank will be selected on a competitive basis. The insolvent bank will be suspended.

h. fails to continue to be in compliance with applicable legal and regulatory requirements applicable to its operations.

23.4. BRD suspension notice shall specify the reasons for suspension and, in cases when the reason for suspension can be addressed, it may specify potential remedies. If, upon receiving a suspension notice from BRD, the Borrower fails to remedy the reason for suspension in the period of 60 days, BRD may terminate the Agreement by written notice of termination to the Borrower.

23.5. Upon termination of this Agreement the parties' rights and obligations under this Agreement will survive the termination, were applicable, with respect to the Borrower's financial obligations as per the provisions on the payment of accrued interest, other charges, repayment of the principal loan and lending practices as specified under this Agreement.

ARTICLE 24: NOTICE, AND REPRESENTATIVES

24.1. Any communication to be made under or in connection with this Agreement shall be made in writing and, unless otherwise stated, may be made by email or letter.

24.2. **BRD represented by its Chief Executive Officer:**
Development Bank of Rwanda
P.O. Box 1341
Kigali, Rwanda
Authorized Representative: **Chief Executive Officer**

24.3. **The Borrower, represented by:**
Address for the Borrower is: P.O. Box ……, ……. Street, …. district, Rwanda
Authorized Representative: **Managing Director/Chief Executive Officer**

24.4. **Electronic communication**

a. Any communication to be made between any two Parties under or in connection with the Agreement may be made by electronic mail or other electronic means (including, without limitation, by way of posting to a secure website) if those two Parties:
   i. notify each other in writing of their electronic mail address and/or any other information required to enable the transmission of information by that means; The above-mentioned email is to be considered as the official electronic mail address for purposes for communication regarding this Agreement and
   ii. notify each other of any change to their address or any other such information supplied by them by not less than five (5) Business Days' notice.
b. Any such electronic communication as specified in paragraph (a) above made between any two Parties will be effective only when actually received (or made available) in readable form.
c. Any electronic communication which becomes effective, in accordance with paragraph (b) above, after 5:00 p.m. in the place in which the Party to whom the relevant

communication is sent or made available has its address for the purpose of this Agreement shall be deemed only to become effective on the following day.

d. Any reference in Agreement to a communication being sent or received shall be construed to include that communication being made available in accordance with this provision.

24.5. **English language**

a. Any notice given under or in connection with this Agreement must be in English.
b. All other documents and correspondences provided under or in connection with this agreement must be in English.

ARTICLE 25: PARTIAL INVALIDITY

If, at any time, any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under any law, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

ARTICLE 26: REMEDIES AND WAIVERS

No failure to exercise, nor any delay in exercising, on the part of BRD, any right or remedy under the Agreement shall operate as a waiver of any such right or remedy or constitute an election of affirmation. No election to affirmation on the part of BRD shall be effective unless it is in writing. No single or partial exercise of any right or remedy shall prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in Agreement are cumulative and not exclusive of any rights or remedies provided by law.

ARTICLE 27: ASSIGNMENTS AND TRANSFERS BY BRD

BRD may assign any of its rights or transfer by novation any of its rights and obligations, under this Agreement to another bank or financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets and the Borrower shall promptly upon demand enter into such documentation as BRD may reasonably request in connection effecting any such assignment or transfer provided, however, that the Borrower shall have no greater obligations or liabilities under this Agreement nor any of its rights or benefits hereunder diminished as a result of such transfer and assignment.

The Borrower may assign any of its rights or transfer by novation any of its rights and obligations, under this Agreement to another bank or financial institution or other entity similar institution with notice to BRD and BRD shall promptly upon demand enter into such documentation as the Borrower may reasonably request in connection effecting any such assignment or transfer provided, however, that BRD shall have no greater obligations or liabilities under this Agreement nor any of its rights or benefits hereunder diminished as a result of such transfer and assignment.

ARTICLE 28: CONTRACT DOCUMENTS AND ORDER OF PRECEDENCE

28.1. The following documents shall constitute the Contract Documents between BRD and the Borrower and each shall be read and construed as an integral part of this Agreement:
  a. This Agreement, including the Appendix and notifications hereunder.
  b. The PIM
  c. Environmental and Social Management Framework (ESMF)
  d. Environmental and Social Commitment Plan (ESCP)
  e. Environmental and Social Management System (ESMS)
  f. Stakeholder Engagement Plan (SEP)
  g. Labor Management Plan (LMP)

28.2. In the event of any ambiguity or conflict between the Contract Documents listed above, the order of precedence shall be the order in which the Contract Documents are listed above.

ARTICLE 29: ENTIRE AGREEMENT

This Agreement contains the entire agreement and understanding between the parties, superseding all prior contemporaneous communications, representations, agreements, and understandings, oral or written, between the parties with respect to the subject matter hereof. This Agreement may not be modified in any manner except by written amendment executed by each party hereto.

ARTICLE 30: TAKING EFFECT

This agreement takes effect from the date of its signature.

Done in three original copies, Kigali, on ……………………

For the BRD

[name of the person] **Company Secretary & General Counsel**	**[name of the person]** **Chief Executive Officer**

Witness

[name of the person]
Head of Business Development

For and on behalf of the Borrower

[name of the person] **[position]**	**[name of the person]** **[position]**

Witness

[name of the person]
[position]

Annex 4: Template for Progress Reporting from Business Enterprises to PFI/BRD

[Name of the Business Enterprise]

Access to Finance for Recovery and Resilience Line of Credit Utilization Report - Quarterly

From the date of [insert month/year] to [insert month/year]

A. Sub-loan facility utilization status

I	Agreement amount (FRW)		Amount as per the Sub-loan Agreement signed with BRD
II	Amount received (FRW)		The Sub-loan amount disbursed by BRD against the disbursement request.
III	Utilization rate (%, I/II)		The rate of actual Sub-loan amount utilized.
IV	Sub-loan amount utilized for the working capital (FRW)		Amount that has been used for working capital management such as salary, rent, and other operating cost
V	Sub-loan amount utilized for the Investment LoC (FRW)		Amount that has been used for investment such as business expansion, purchase of the raw material, transport of the goods, etc.
VI	Sub-loan amount utilized for Refinancing LoC (FRW)		Amount that has been used for refinancing purpose as per the GoR guideline.

B. Sub-loan repayment status

I	Principal amount paid to BRD (FRW)		The total principal amount repaid to BRD by the Business Enterprise
II	Interest amount paid to BRD (FRW)		Total interest amount repaid to BRD by the Business Enterprise, including commissions.
III	Default amount (FRW)		Any amount that has not been paid back to BRD after its due date.

C. Credit exposure with other bank and financial institutions, institutional lenders

I	O/s credit exposure with other lenders (FRW)		Credit exposure with the lenders other than BRD. Provide the name of the lenders.

D. Status of the Sub-project financed under AFIRR facility

I	# employment generation		Provide the total staff currently working in the business (Sub-project) financed under AFIRR
I. a	#Full-time employment generation		Provide the total full-time staff currently working in the business (Sub-project) financed under AFIRR
I. b	#Temporary employment generation		Provide the total temporary staff currently working in the business (Sub-project) financed under AFIRR
II	# female employees		Provide the number of female employees
III	# female employees in executive position		Provide the number of female employees working in the executive level such as department head, officers.
IV	Payroll difference (FRW), for female workers		Do you have different pay between male and female workers engaged in the same position/job role? If yes, provide the difference figure in FRW calculated as – 'pay to male a

			worker minus payroll to a female worker'. Add other rows when necessary.

E. Financial performance of the business financed under AFIRR facility

I	Total revenue (FRW)		Provide the revenue generated during this quarterly reporting period
II	Total operating expenditure (FRW)		Provide the total expensed incurred during this reporting period
III	Net profit/loss (FRW)		Provide the profit or loss situation during this reporting period

F. Sub-loan utilization as per ISIC sector (refer Annex 6 of the PIM for ISIC sector categorization) - For Loans under the Investment Window only

Name of the sector	Name of the sub-sector	Sub-loan amount (FRW)

The financial performance has to be supported by the Quarterly Financial Statement.

E. List the summary of the business activities such as products, markets, business processes, supply of raw materials, partners (wholesaler/retailers), etc.

E. List the key sub-project or business implementation challenges (in bullet points)

F. Provide key suggestions (in bullet points)

G. Certification

I, *[names]*, *[title]* by signing this Quarterly Report on behalf of *[name of the Business Enterprise]* certify that to my best knowledge all information contained herein is accurate and truthful. I understand that any willful misstatement described herein will lead to the suspension from ongoing participation to the AFIRR Project and will result in the demand by BRD for the return of all Sub-loan amount outstanding with us.

[Signature] ***[Seal]***

[Name and Title] ***[Date]***

Annex 5: Template for Tranche Utilization Report from PFI to BRD

[Name of the PFI] [BRD will also use this template for direct loans]
Quarterly Tranche Utilization Report as of ……..

o T/C	Name of borrower	ID No	Address	Phone No.	Date loan agreementsigned	Loan Amount (FRW)	Amount disbursed (FRW)	Loan Tenure (in Month)	Grace Period (in Month)	O/s Loan Amount (FRW)	Interest Rate (%)	Purpose of the Sub-loan	Business sector/sub-sector code	Size of the business (SME or large BE)	New or existing borrower	# employees	% female employees	Type of collateral	% collateral coverage	Capital mobilized	Women-inclusive BE (Y/N)
T1/1																					
T1/2																					

Prepared By:
Signature: ………………………….
Name and position: ……………………………….

Checked By:
Signature: ………………………….
Name and position: ……………………………….

Official Stamp and Date

T/C: Tranche Number and Credit Number
Name of the borrower: Name of Business Enterprise (BE) eligible for the AFIRR line of credit facility
ID No.: Company code number of the borrower provided by RDB
Date loan agreement signed: The date when the sub-loan agreement was signed between PFI and the BE
Loan Amount: The amount of loan approved by the PFI as mentioned on the Sub-loan Agreement
Loan Tenure: The duration of the loan, expressed in number of months
O/s Loan Amount: The total loan amount remaining to be repaid to the PFI by the Business Enterprise
Interest Rate: The annual interest rate in percentage to be charged to the Borrower (Business Enterprise) including commission, service charge, fees etc.
Purpose: The objective of the loans extended by the PFI to the BE. Refinancing, working capital, investment, or any of the three combination.
Business sector/sub-sector code: Provide the sector/sub-sector of the loan as per ISIC sector classification (Annex 6 of the PIM). The business sector with code will be part of Participating Agreement signed with PFI.
Size of the business: Mention the size of the business (SME or large BEs) according to the Table 7 of the BRD PIM (Definition of the Business Enterprise)
Type of collateral: List the key collaterals the PFI pledged from BE such as physical collateral (land & building), project, insurance, credit guarantee or any combination
Percentage collateral coverage: Provide the % of the loan covered by collateral calculated as (value of collateral/loan amount, including interest rate risk)*100%.
Capital mobilized: Provide the capital amount mobilized mobilized by the BE calculated as total investment minus debt amount.
Women-inclusive Business Enterprise: Yes if the BE has (i) at least one female shareholder and with at least one woman at chief-level (C-level), or ii) employing a ratio of women that is higher than the average ratio observed in the respective sector.

NB: The PFI can also use their own reporting format (subject to their operating software) however the report must contain minimum information as required by the AFIRR Project

Annex 6: List of priority sectors for Investment LoC

Name of the sub-loan beneficiary:	
Proposed sub-loan amount (in FRW):	
Approved sub-loan amount (in FRW):	
Sub-loan Identification number:	

Instructions:

- This form is to be filled out and provided for each sub-loan under the Investment LoC.
- Please fill out the above information for each sub-loan under the Investment LoC.
- Please select in the table further below, the sector and sub-sector that most closely align with the those of business activity for which the World Bank/AIIB investment-related loan is intended.
- The key priority sectors for PFI/BRD lending is mentioned on the table below. The sub-sectors with "Y" represent the priority sectors .

ISIC level 1 description	Select sector	ISIC level 2 description	Select sub-sector	Priority sector	Sub-sector code
Agriculture, forestry and fishing		Crop and animal production, hunting and related service activities		Y	A01
		Forestry and logging		Y	A02
		Fishing and aquaculture		Y	A03
		Mining and quarrying			A04
		Mining of coal and lignite			A05
		Extraction of crude petroleum and natural gas			A06
		Mining of metal ores			A07
		Other mining and quarrying			A08
		Mining support service activities			A09
Manufacturing		Manufacture of food products		Y	C10
		Manufacture of beverages		Y	C11
		Manufacture of tobacco products			C12
		Manufacture of textiles		Y	C13
		Manufacture of wearing apparel		Y	C14
		Manufacture of leather and related products		Y	C15
		Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials		Y	C16
		Manufacture of paper and paper products		Y	C17
		Printing and reproduction of recorded media		Y	C18
		Manufacture of coke and refined petroleum products			C19
		Manufacture of chemicals and chemical products		Y	C20
		Manufacture of basic pharmaceutical products and pharmaceutical preparations		Y	C21
		Manufacture of rubber and plastics products		Y	C22
		Manufacture of other non-metallic mineral products		Y	C23
		Manufacture of basic metals		Y	C24

		Manufacture of fabricated metal products, except machinery and equipment		Y	C25
		Manufacture of computer, electronic and optical products		Y	C26
		Manufacture of electrical equipment		Y	C27
		Manufacture of machinery and equipment n.e.c.		Y	C28
		Manufacture of motor vehicles, trailers and semi-trailers		Y	C29
		Manufacture of other transport equipment		Y	C30
		Manufacture of furniture		Y	C31
		Other manufacturing		Y	C32
		Repair and installation of machinery and equipment		Y	C33
Electricity, gas, steam and air conditioning supply		Electricity, gas, steam and air conditioning supply			D35
Water supply; sewerage, waste management and remediation activities		Water collection, treatment and supply			E36
		Sewerage			E37
		Waste collection, treatment and disposal activities; materials recovery			E38
		Remediation activities and other waste management services			E39
Construction		Construction of buildings		Y	F41
		Civil engineering			F42
		Specialized construction activities		Y	F43
Wholesale and retail trade; repair of motor vehicles and motorcycles		Wholesale and retail trade and repair of motor vehicles and motorcycles			G45
		Wholesale trade, except of motor vehicles and motorcycles			G46
		Retail trade, except of motor vehicles and motorcycles			G47
Transportation and storage		Land transport and transport via pipelines			H49
		Water transport			H50
		Air transport			H51
		Warehousing and support activities for transportation		Y	H52
		Postal and courier activities			H53
Accommodation and food service activities		Accommodation			I55
		Food and beverage service activities			I56
Information and communication		Publishing activities			J58
		Motion picture, video and television programme production, sound recording and music publishing activities			J59
		Programming and broadcasting activities			J60
		Telecommunications			J61
		Computer programming, consultancy and related activities			J62
		Information service activities			J63
Financial and insurance activities		Financial service activities, except insurance and pension funding			K64
		Insurance, reinsurance and pension funding, except compulsory social security			K65
		Activities auxiliary to financial service and insurance activities			K66

Real estate activities		Real estate activities		Y	L68
Professional, scientific and technical activities		Legal and accounting activities			M69
		Activities of head offices; management consultancy activities			M70
		Architectural and engineering activities; technical testing and analysis			M71
		Scientific research and development			M72
		Advertising and market research			M73
		Other professional, scientific and technical activities			M74
		Veterinary activities			M75
Administrative and support service activities		Rental and leasing activities			N77
		Employment activities			N78
		Travel agency, tour operator, reservation service and related activities			N79
		Security and investigation activities			N80
		Services to buildings and landscape activities			N81
		Office administrative, office support and other business support activities			N82
Public administration and defence; compulsory social security		Public administration and defence; compulsory social security			O84
Education		Education			P85
Human health and social work activities		Human health activities			Q86
		Residential care activities			Q87
		Social work activities without accommodation			Q88
Arts, entertainment and recreation		Creative, arts and entertainment activities			R90
		Libraries, archives, museums and other cultural activities			R91
		Gambling and betting activities			R92
		Sports activities and amusement and recreation activities			R93
Other service activities		Activities of membership organizations			S94
		Repair of computers and personal and household goods			S95
		Other personal service activities			S96
Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use		Activities of households as employers of domestic personnel			T97
		Undifferentiated goods- and services-producing activities of private households for own use			T98
Activities of extraterritorial organizations and bodies		Activities of extraterritorial organizations and bodies			U99

Annex 7: Standard Template of Business Plan for Business Enterprises

1. Executive Summary
2. Information on the Company

2.1 Introduction of the company
(Provide the brief background of the company, when the company was established, the driving factors for success, business operation issues and challenges)

2.2 Company vision, mission, goals, and objectives

2.3 Strength-weaknesses-opportunities-threats (SWOT) Analysis
(Provide the SWOT of your company with focus in Rwanda market)

2.4 Experience in the business operation
(Provide your similar previous experience in operation of the business)

2.5 Board of directors and key management professionals
(Provide brief personal information of the board of directors, major shareholders, and the short CV of key management professionals.)

2.6 The organizational structure
(Provide organogram of the company)

2.7 Legal status, company policies, and the strategies
(Provide the existing valid legal status of your company for the business operation in Rwanda; briefly mention the possible risk on your company due to changes on the policies and legal requirements; if you have developed internal policies such as human resource, marketing, investment etc., provide brief summary of such policies;)

2.8 The business model of the company
(Summarize the existing business model of your company, please mention if you are planning to make necessary changes to your existing business model)

3. Company Management and Operation Plan

3.1 Existing human resource capacity and the plan
(Summarize the strength of your existing human capital including number of sales executives, technical unit, agents, etc. Brief the future plan if existing resources seem to be insufficient for your business expansion. Mention the plan for capacity building of your human resources. List the major grievances you have received from your employees in the past two years. Summarize how you handle those grievances. Mention if you have developed grievance handling mechanism and policies)

3.2 Brief background of the key partners and suppliers
(Provide brief background and list of your key business partners and suppliers such as lending banks, product manufacturer, wholesaler, retailer, raw material suppler, donors etc. Mention since when you have been partnered with them. Provide the list of those partners with whom your business relationship has been terminated and mention the reason for termination)

3.3 The implementation plan

(List the key activities required for the successful implementation of this business plan. The implementation plan should include timeline, responsible employee, tentative budget etc. If possible, provide gantt chart or logical framework)

3.4 Inventory/stock management plan
(Clearly mention your plan for inventory or stock management with the aim that your business operation will not get problem just due to lack of stock at your warehouse)

3.5 Management information system
(Briefly describe your existing information system including the existing software for the management of your entire business such as supply chain, customer relationship management, payment management, monitoring and reporting. Mention the reliability of the software and the minimum information that can generate for reporting purpose.)

3.5 Project implementation risks and strategies for the risk mitigation
(Mention key risks related to the implementation of your business plan with focus on Rwandan context. Briefly mention the strategies for mitigation of such risks)

4. Market Analysis

4.1 Demand assessment
(Assess the demand of your product for next five years, provide the country or regional and or international market demand and mention how you manage such demand)

4.2 Competitive analysis
(Briefly mention the major existing competitors in the market and describe your product selling strategy in such competitive market. Mention the possible future competitors which can arise due to arrival of new products)

4.3 The current price, quality, and after-sales-service
(Provide the existing price of your each product with focus in Rwanda market, regional and international markets, mention the quality of the product and after-sales-service conditions)

4.4 The marketing and sales strategy
(Please mention the marketing and sales strategy in order to achieve the projected target in the next five years. If possible, please provide the product-wise sales target for next five years)

4.5 Targeted market segment and their affordability analysis
(Please clearly mention what type of market segments you are targeting. Provide your analysis on acceptance of your product by the final consumer)

4.6 Trade with Asia
(Provide the detail information of trading with Asia, including list of trading partners located in Asia, turnover, type of products (goods and services) you trade with Asia, etc.)

5. Technical Analysis

5.1 Details of the products (goods and services)

(Mention the type of products with its application, quality, and its alternative available in the market)

5.2 Product specification
(Provide detail specification of each products and ensure this will comply the national/international quality standards. Please ensure that the AFIRR does not finance those products which do not comply minimum quality and environmental and social safeguard standards)

5.4 Strategy for the product disposal after its lifetime, if relevant
(Please mention your strategy on how you dispose your products after expiry of its lifetime especially the products which contain harmful chemicals)

5.5 Safety provisions, environmental and social safeguard, and customer protection
(Please mention your strategy to safely operate your business, environmental and social safeguard practices and the protection of the consumer rights)

6. Financial Analysis

6.1 Financing requirement
(Mention the estimate financing requirement under this business plan clearly showing the total investment, debt amount and your equity contribution. Please note that the AFIRR financing would be on 70:30 debt-equity ratio meaning that on your each three dollar investment, the AFIRR contributes seven dollars.)

6.2 Previous debt performance
(Please provide the details of any debts if you have taken previously. List the debt amount, name of bank or lender, contact person at the bank, and the current performance of the debt. Please note that you have to provide self-declaration about your existing borrowing)

6.3 Five-year financial forecasting
(Please provide a five-year pro-forma financial statement which includes income statement, balance sheet and cash flow statement. If your business plan contains forecasting of other countries, please provide country-wise forecasting. The financial forecasting should contain month-wise forecasting at least for Year 1. Please also provide the financial ratios such as debt service coverage ratio (DSCR), liquidity ratio, net profit margin, etc.)

6.4 Key assumptions for financial forecasting
(Please describe the assumptions while developing financial forecasting. Please note that these assumptions should be somehow realistic to the current market)

6.5 Mechanism for the insurance
(Please describe the insurance mechanism to protect your business from any future unforeseen risks)

7. List of Annexes

Annex 8: Business Enterprises E&S Safeguard Screening Form/Checklist (for BRD portfolio)

Section 1 : Applicant/Project General information

Project/business basic information:

Project Investment name [type here]

Location [type here]

Estimated cost (US$) [type here]

Type of project or business activity:

ϒ Construction materials

ϒ Light Manufacturing

ϒ Agro-processing

ϒ Hotel and Restaurant

ϒ Transportation sector

ϒ Fitness Centers

ϒ Retail vendors

ϒ Other: [Specify]

Please provide more details: [type here]

Section 2: Screening questions

Section N⁰	Screening Questions	Answer		Comments
		Yes	No	
A	**Exclusion list of activities**			
	Does the project/Business have activities reflected in the Apex-FI exclusion list ?			
B	**Bio-physical Environment**			
	Is the project/Business site adjacent to or within Natural habitats or legally protected areas (wetlands, forests, buffer zones, nature reserves)?			
	Is the project/Business located on agricultural land?			
	Is there an existing stream, river or lake in the proximity to the site?			

	Will the project generate waste products (including liquid or solid wastes)?			
	Will there be any dumping sites for solid and liquid wastes?			
	Will sediments or wastes be prevented from entering water bodies?			
	Will vegetation or trees be removed or any surface left bare?			
	Will quarries or borrow pits be developed or operated under the project?			
	Will the project/Business develop boreholes to tap ground water?			
	Will the project/Business involve significant excavations, demolition, and movement of earth?			
	Will Project activities pose risks to endangered species?			
	Will the Project involve significant extraction, diversion or containment of surface or ground water? For example, construction of dams, reservoirs, river basin developments?			
	Will the Project generate potential adverse transboundary or global environmental concerns?			
	Will the Project pose a risk of introducing invasive alien species?			
	Will the proposed Project result in significant greenhouse gas emissions or may exacerbate climate change?			
	Will the proposed Project involve the application of pesticides that may have a negative effect on the environment or human health?			
	Does the Project include activities that require significant consumption of raw materials, energy, and/or water?			
	Is the project site prone to landslides or flooding or located in proximity to a seismic zone			
	Will the proposed Project be susceptible to or lead to increased vulnerability to landslides, erosion, flooding or extreme climatic conditions?			
C	**Community Health, Safety and Working Conditions**			
	Will elements of Project construction, operation, or decommissioning pose potential safety risks to local communities?			
	Will the Project pose potential risks to community health and safety due to the			

	transport, storage, and use and/or disposal of hazardous or dangerous materials (e.g. explosives, fuel and other chemicals during construction and operation)?			
	Will failure of structural elements of the Project pose risks to communities? (e.g. collapse of buildings or infrastructure)?			
	Will there be social conflict in case of labour force hired from other region?			
	Will the project result in increased cases of Gender based violence, sexual exploitation abuse or other sexual issues?			
	Will the project create major noise/vibration?			
	Will the Project result in potential increased occupational health risks (e.g. communicable infections such as Covid-19, HIV/AIDS, etc)?			
	Will safety measures be in place to protect the workforce (PPE, fire-fighting and spill-clean-up materials / chemicals available for use at the site like, sand, detergent, acid, alkali, etc)?			
	Does the Project pose potential risks and vulnerabilities related to occupational health and safety due to physical, chemical, biological, and radiological hazards during Project construction, operation, or decommissioning?			
	Does the Project involve employment that may fail to comply with national labour law?			
	Will the Project enforce the principle of equal opportunity and fair treatment among workers and there will be no discrimination with respect to any aspects of the employment relationship, such as recruitment and hiring, compensation (including wages and benefits), working conditions and terms of employment, access to training, job assignment, promotion, termination of employment or retirement, etc ?			
	Will the project prevent child labour and forced labour throughout its implementation period?			
	Does the Project engage security personnel that may pose a potential risk to the safety of communities and/or individuals (e.g. due to a lack of adequate training or accountability)?			
	Will the project put in place measures to avoid or minimize the potential for community exposure to occupational health and safety risks (ie diseases, accidents, etc) ?			

	Will the project put in place measures to address emergency events ?			
D	**Cultural Heritage**			
	Is the project/Business site located on or near a Cultural heritage site?			
	Is the project/Business located on unique or aesthetically valuable land?			
	Will project cause encroachment on historical/cultural/religious areas?			
E	**Displacement and Resettlement**			
	Will the Project potentially involve temporary or permanent and full or partial physical displacement?			
	Will the Project possibly result in economic displacement (e.g. loss of assets or access to resources due to land acquisition or access restrictions – even in the absence of physical relocation)?			
	Is there a risk that the Project would lead to forced evictions?			
	Would the proposed Project possibly affect land tenure arrangements and/or community-based property rights/customary rights to land, territories and/or resources?			
	Is this land enough for the project implementation or more land will be acquired			
	Will the project put in place mechanisms to handle grievances associated with its activities?			
F	**Stakeholder engagement, Gender equality and Grievance management**			
	Will the project put in place mechanisms to handle grievances associated with its activities?			
	Is there a likelihood that the Project would exclude any potentially affected stakeholders from fully participating in decisions that may affect them?			
	Is there a risk that the Project would exacerbate conflicts among and/or the risk of violence to project-affected communities and individuals?			
	Would the Project potentially produce discriminations against women based on gender, especially regarding participation in design and implementation or access to opportunities and benefits?			
	Will local communities or individuals be given the opportunity to raise their concerns			

	regarding the Project during the stakeholder engagement process?			

<u>Section 3</u>: Proposed control/mitigation measures

If you have answered Yes to any of the above questions, please describe the measures that the project will take to avoid or mitigate environmental and social impacts.

……
………………………………………………….

<u>Section 4:</u> Conclusion/Recommendation

Which course of action do you recommend in reference to Rwandan regulation and World Bank ESSs?

ϒ Full ESIA

ϒ Environmental and Social Audit (ESA)

ϒ Partial ESIA (ESMP)

ϒ No further environmental assessment required

In line with safeguard requirements of development institutions (if any), what do you recommend?

ϒ Willing seller-willing buyer approach

ϒ Other (Specify)

Section 5: Evaluator details

Name: [type here]

Position: [type here]

Date: [type here]

Annex 9: BRD list of excluded activities/businesses

The AFIRR project does not finance the following sub-projects:

- Production or trade in any product or activity deemed illegal under the host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, etc.
- Trave in animals, plants or any natural products not complying with the provisions of the CITES convention.
- Production or trade in weapons and munitions and armed related activities;
- Production or trade in tobacco.
- Gambling, casinos and equivalent enterprises.
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where BRD considers the radioactive/nuclear source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibers and other non-permitted chemicals and polluting substances. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets more than 2.5 km in length and fishing using electric shocks and explosive materials.
- Any operation leading to or requiring the destruction of a critical habitat (both natural and modified habitat or ecologically sensitive areas), or high conservation value areas or any forestry project which does not implement a plan for improvement and sustainable management.
- Production or trade in wood or other forestry products other than from sustainably managed forests.
- Activities which may affect adversely sites of cultural or archaeological significance.
- Production or sale of strong alcohol intended for human consumption.
- Transboundary trade in waste or waste products, unless compliant with the Basel Convention and the underlying regulations.
- Trade in goods without required export or import licenses or other evidence of authorization of transit from relevant countries of export, import and, if applicable, transit.
- Drug and human trafficking
- Any criminal or outlawed activities
- Any business prohibited by laws and regulations
- Terrorism and money laundering activities.
- Production or activities involving harmful or exploitative forms of forced labor/harmful child labour.
- Companies linked to tax evasions.
- Any trade related to pornography or prostitution.

A reasonableness test will be applied when the activities of the project company would have a significant development impact. In addition to BRD's exclusion list above, following sub-projects shall not be eligible for financing:

- Any sub-projects involving non-eligible expenditures as mentioned in Annex 9 of the PIM;

- Any sub-projects affecting international waterways, natural habitats and disputed areas or indigenous peoples;
- Any sub-projects involving the conversion or degradation of forest areas;
- Any sub-projects involving the involuntary taking of land or involuntary resettlement resulting in relocation or loss of shelter, loss of assets or access to assets, loss of income sources or means of livelihood, or involving the involuntary restriction of access to legally designated parks and protected areas;
- Any sub-projects involving the construction or rehabilitation of dams;
- Any sub-projects that finance Excluded Expenditures, as set forth in the Environmental and Social Commitment Plan.

The above list of excluded activities is consistent with World Bank/IFC standard.

Annex 10: Project Indicators

Annex 10.1: World Bank indicators

INDICATOR NAME	BASELINE	END TARGET
Increase Access to Finance for Businesses		
Number of firms receiving financial support under the Project (cumulative) (Number)	0.00	10,000.00
Volume of loans provided under the Project (cumulative) (Amount (US$ million))	0.00	205.50
Support Business Recovery and Resilience		
Average tenor for investment loans supported by the project (Years)	8.	10.00
Employment multiplier (Text)	NA	>1
Private Capital Mobilized (Amount (US$ million))	0.00	40.00
Immediate results indicator by Components		
Component 1 - Liquidity and Recovery Facility		
Number of micro-enterprises receiving loans under the project (cumulative) (Number)	0.00	1,300.00
Number of firms receiving loans for refinancing, working capital and investment under the Project (cumulative) (Number)	0.00	700.00
Women inclusive firms receiving financial support through the project (cumulative) (Percentage)	18.00	35.00
Non-performing loan (NPL) ratio of project portfolio (Percentage)	4.50	5.00
Component 2 – Risk Sharing Facility		
Number of firms receiving loans guaranteed by BDF disaggregated by firm size (cumulative) (Number)	0.00	8,000.00
Bridge lending window established (Yes/No)	No	Yes
Number of firms with loans covered by bridge lending window (cumulative) (Number)	0.00	5,000.00
Volume of loans covered by bridge lending window (cumulative) (Amount (US$ million))	0.00	10.00
Share of loan portfolio guaranteed by BDF supporting women-inclusive firms (Percentage)	39.00	50.00
Rejection Rate on Claims submitted to BDF (Percentage)	25.00	5.00
Guarantee Recovery Rate (Percentage)	0.30	20.00
Non-performing loan (NPL) ratio of BDF guaranteed portfolio (Percentage)	14.00	8.00
Component 3 - Institutional Strengthening and Implementation Support		
Number of small and micro enterprises receiving business development services through the project, through BDF (cumulative) (Number)	0.00	1,064.00
Share of women inclusive firms receiving business development services through the project (cumulative from BDF and BRD) (Percentage)	0.00	50.00
Number of businesses receiving technical assistance support through BRD (cumulative) (Number)	0.00	118.00
Citizen Engagement		

Firms that report Project financing and support reflected their needs (Percentage)	0.00	70.00
Report on survey of beneficiaries prepared and disclosed (Yes/No)	No	Yes

Annex 10.2: Asian Infrastructure Investment Bank indicators

INDICATOR NAME	BASELINE	END TARGET
Project Objective Indicators:		
1. Businesses receiving sub-loans under sub-component 1c of AIIB Project Document (Number)	0	300
2. Volume of loans provided under sub-component 1c (US$ million)	0	100
Intermediate Results Indicators:		
1. Non-performing loans in the BRD sub-loan portfolio (Percentage)	4.5%	5%
2. Funds disbursed to priority (AIIB Group 1) sectors under sub-component 1c (Percentage)	0	60%
3. Women-inclusive firms receiving sub-loans (Percentage)	18%	35%
4. Average tenor for investment loans under sub-component 1c (Years)	8	10

Annex 11: Project Monitoring and Evaluation Plan

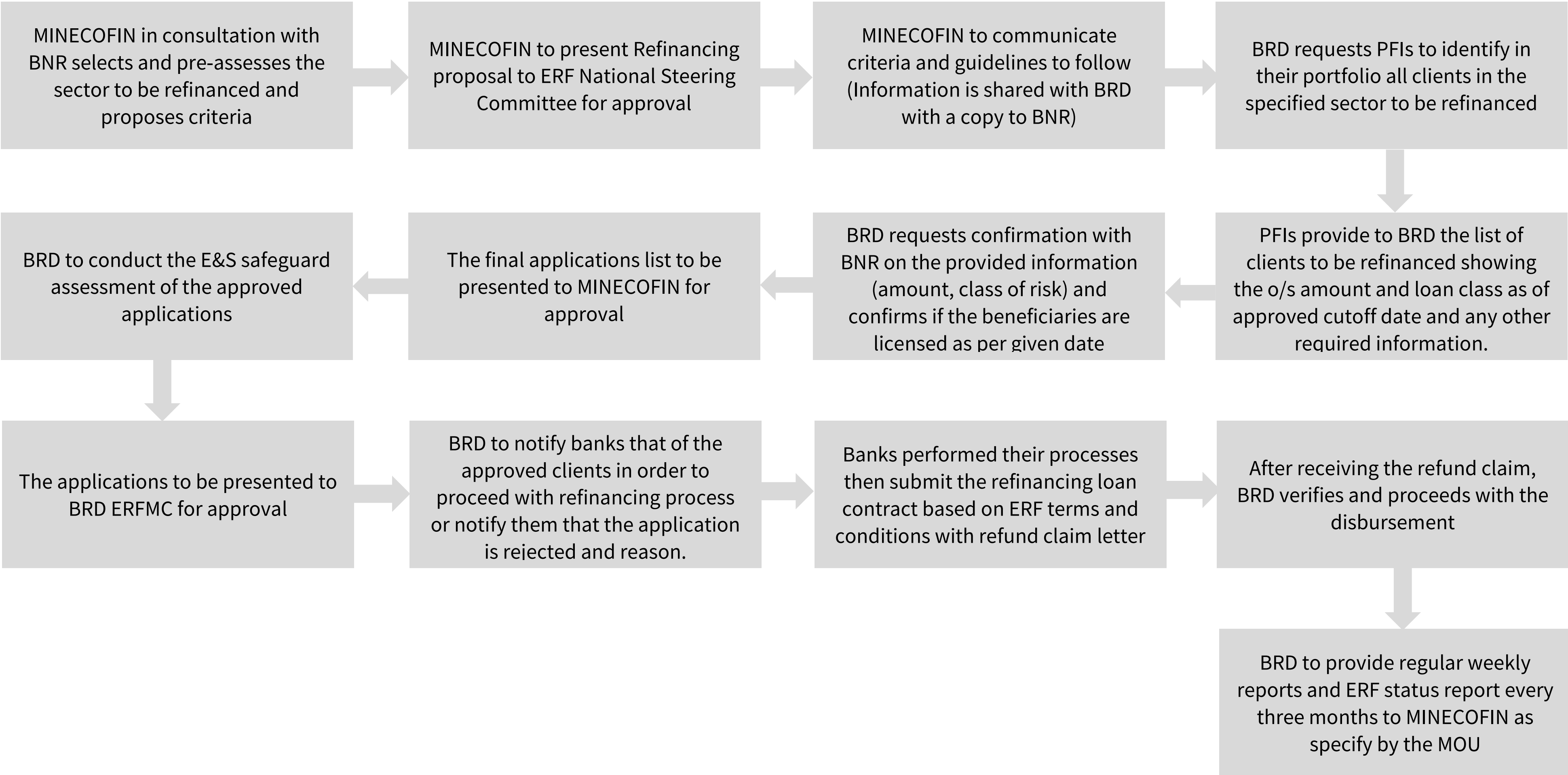
Indicator Name	Definition/Description	Frequency	Data source	Methodology for Data Collection	Responsibility for Data Collection
PDO Indicators					
# firms receiving financial support under the Project (cumulative)	# firms financed under the Project (cumulative) including loans and guarantees disaggregated by firm size, priority sectors as per Annex 6 (including AIIB Group 1 target), and type of financing	Quarterly	BRD, BDF	Data collected by PIUs/PFIs reporting	PCT/PIUs
Volume of loans provided under the Project (cumulative)	Volume of total loans provided under the Project (cumulative, US$)	Quarterly	BRD, BDF	Data collected by PIUs/PFIs reporting	PCT/PIUs
Average tenor for investment loans supported by the Project	Average tenor in years for loans supported by the Project through Sub-component 1.3 (including AIIB Group 1 60% target) categorized as investment loans.	Quarterly	BRD	BRD/PFI reporting	PCT/PIU
Employment multiplier	Ratio/% of weighted average change in employment of the firms financed under the Project, over the average change of employment in their respective sectors. This will measure whether firms supported under the Project show better developments in employment than their peers. Indicator will be weighted by firm size	Annual	BRD, BDF, National Institute of Statistics	Data collected by PIUs/PFI reporting	PCT/PIUs
Private capital mobilized	Amount of private capital mobilized by the Project through credit line as counterpart financing and partial credit guarantee (cumulative, US$)	Semi-annually	BRD, BDF	Data collected by PIUs/PFI reporting	PCT/PIUs
Intermediate Results Indicators					
Number of microenterprises receiving loans under the project (cumulative)	Number of firms receiving loans through the microbusiness credit line of the project for working capital and investment, disaggregated by firm size, and type of loan.	Quarterly	BDF/PFI reporting	BDF data collection/Project Reports	BDF PIU

Number of firms receiving loans for refinancing, working capital and investment under the Project (cumulative)	Number of firms receiving loans through the project for working capital, refinacing and investment, disaggregated by firm size, and type of loan.	Quaterly	BRD/PFI Reporting	BRD/PFI Reporting	PCT/BRD PIU
Women inclusive firms receiving financial support through the project (cumulative)	# women inclusive firms that received financial support through the project. Women-inclusive enterprises are defined as: (i) firms owned by women with at least one female shareholder and with at least one female chief-level manager, or (ii) firms employing a ratio of women that is higher than the average ratio observed in the respective sector	Quarterly	BRD, BDF, Data from final sub-borrowers, National Statistics Department	Data collected by PIUs/PFI reporting	PCT/PIUs
Non-performing loan (NPL) ratio of project portfolio	Percentage of NPLs in Project sub-loan portfolio should not exceed 10% during project implementation. NPLs defined as loans >90 days in arrears.	Quarterly	BRD, BNR/PFIs reports	Data reported by PFIs	PCT/PIU
Number of firms receiving loans guaranteed by BDF disaggregated by firm size (cumulative)	Number of loans originated by PFIs and guaranteed by BDF after the first capital disbursement (cumulative, number).	Quarterly	BDF / PFI reports	BDF reporting based on data submitted by PFIs	PCT/BDF PIU
Bridge lending window established	Bridge lending window established as new derisking instrument to support MSME resilience to shocks	One time	BDF	BDFReport	BDFPIU
Number of firms with loans covered by bridge lending window (cumulative)	Number of bridge loans covered by the BDF from the bridge lending window (cumulative, number)	Semi-annual	BDF/ Project Reports	BDFreporting based on reports received by PFIs	PCT/BDF PIU
Volume of loans covered by bridge lending window (cumulative)	Value of bridge loans disbursed by the BDF from the bridge lending window (cumulative, USD)	Semi-annual	BDF/ Project reports	BDFreporting based on claims received from PFIs.	PCT/BDF PIU
Share of loan portfolio guaranteed by BDF	Percentage of loans	Quarterly	BDF/ PFI /	BDF report based on data submitted by PFIs	PCT/BDF PIU

supporting women-inclusive firms	originated by PFIs and guaranteed by BDF after the first capital disbursement supporting women-inclusive firms (cumulative). Women- inclusive enterprises are defined as: (i) firms owned by women with at least one female shareholder AND with at least one female chief-level (c-level) manager, or ii) firms employing a ratio of women that is higher than the average ratio observed in the respective sector.		Project reports		
Rejection Rate on Claims submitted to BDF	Share of total claims from PFIs that are rejected by BDF	Quarterly	BDF/ Project Report	BDF based on claims submitted by PFIS and approved/rejected by BDF	BDFPIU
Guarantee Recovery Rate	Amount of money recovered by BDF after payment of claim to PFI divided by total claims paid out.	Semi-annual	BDF/ Project Report	BDF based on claims paid out and post-recovery amount.	BDFPIU
Non-performing loan (NPL) ratio of BDF guaranteed portfolio	Percentage of non- performing loans (NPLs) in Project guaranteed portfolio should not exceed 15 percent during project implementation. NPLs defined as loans >90 days in arrears	Semi-annual	BDF/ PFIs/Project Reports	PFIs reports to BDF	PCT/PIUs
Number of small and micro enterprises receiving business development services through the project, through BDF (cumulative)	Business Development Services includes training, coaching, mentoring, advisory service on business management, financial literacy, digital literacy, financial record keeping and/or bookkeeping, marketing development and/or strategy, new product/ service offerings, new distribution channels and/or strategy, business and risk assessment, value chain study etc. (cumulative, number)	Semi-annual	BDF/BRD PIUs	Data collected by PIUs	PCT/PIUs
Share of women inclusive firms receiving business	Business Development Services includes training, coaching, mentoring, advisory service on business				

development services through the project (cumulative from BDFand BRD)	management, financial literacy, digital literacy, financial record keeping and/or bookkeeping, marketing development and/or strategy, new product/ service offerings, new distribution channels and/or strategy, business and risk assessment, value chain study etc. Women-inclusive enterprises are defined as: (i) firms owned by women with at least one female shareholder AND with at least one female chief-level (c-level) manager, or ii) firms employing a ratio of women that is higher than the average ratio observed in the respective sector. (cumulative, number)	Semi-annual	BDF/BRD PIUs	Data collected by PIUs	PCT/PIUs
# business enterprises receiving technical assistance support (cumulative)	# firms that received technical assistance provided by BRD.	Semi-annually	BDF, BRD	Data collected by PIUs	PCT/PIUs
Firms that report Project financing and support reflected their needs	Firms that report Project financing and support reflected their needs (%)	Project Mid-term	Beneficiary Firm Survey	Survey of Project beneficiaries	PCT/PIUs
Report on survey of beneficiaries prepared and disclosed	Preparation and disclosure of a report summarizing the findings of the citizen engagement survey and proposed recommendations for adjustments. The survey will be conducted on subset of beneficiaries and designed to access overall satisfaction of services (including ease of access, quality, process, disclosure, responsiveness of needs, etc.)	One time	Project Beneficiaries	Beneficiary Survey	PCT/PIUs

Annex 12: Process for Refinancing Credit Line



Annex 13: Performance-based Conditions Matrix

PBC 1	Revised PCG policies and procedures reflected in the MoU with financial institutions that are endorsed by and disseminated among the key stakeholders.			
Type of PBC	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Output	No	Yes/No	2,000,000.00	1.36
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	No			
December 2022	Yes		2,000,000.00	BDF Guarantee Requirements dated February 4th, 2012 will be revised or a new policy issued.
December 2023	Yes		0.00	BDF Guarantee Requirements dated February 4th, 2012 will be revised or a new policy issued.
December 2024	Yes		0.00	BDF Guarantee Requirements dated February 4th, 2012 will be revised or a new policy issued.

December 2025	Yes	0.00	BDF Guarantee Requirements dated February 4th, 2012 will be revised or a new policy issued.

PBC 2	Increased market uptake of the guarantee product			
Type of PBC	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Intermediate Outcome	Yes	Amount(USD)	28,000,000.00	10.87

Period	Value	Allocated Amount (USD)	Formula
Baseline	0.00		
December 2022	7,000,000.00	7,000,000.00	Total outstanding guarantees will exceed RWF 30 billion, RWF 40 billion, RWF 50 billion, and RWF 65 billion based on the latest
December 2023	14,000,000.00	7,000,000.00	Total outstanding guarantees will exceed RWF 30 billion, RWF 40 billion, RWF 50 billion, and RWF 65 billion based on the latest
December 2024	21,000,000.00	7,000,000.00	Total outstanding guarantees will exceed RWF 30 billion, RWF 40 billion,

			RWF 50 billion, and RWF 65 billion based on the latest
December 2025	28,000,000.00	7,000,000.00	Total outstanding guarantees will exceed RWF 30 billion, RWF 40 billion, RWF 50 billion, and RWF 65 billion based on the latest

Verification Protocol Table: Performance-Based Conditions

PBC 1	Revised PCG policies and procedures reflected in the MoU with financial institutions that are endorsed by and disseminated among the key stakeholders.
Description	The BDF Guarantee Requirements dated February 4th, 2012 will be revised or a new policy and procedural document of the PCG replacing the BDF Guarantee Requirements will be developed. The revised and/or newly developed document(s) (collectively called as “new PCG policies”) will be approved by the BDF’s Board of Directors. The documents should cover, at a minimum: (a) Guarantee processing policies and procedures including the eligible PFIs, eligible use of funds, limits on the size of the loans that can be guaranteed, and suitable debt service and guarantee coverage; and (b) Guidance for PFIs including guarantee fees, reporting requirements, handling of loan defaults, procedure and requirements for claims, and loan recovery. The Memorandum of Understanding (MoU) with PFIs will be revised based on the new PCG policies. The new PCG policies and the revised MoU will be presented to and endorsed by PFIs, SME representatives and other stakeholders. The new PCG policies and revised MoU will be disseminated among PFIs, SMEs representatives and other stakeholders via BDF website and awareness raising events.
Data source/ Agency	BDF
Verification Entity	World Bank
Procedure	A report describing the approved and endorsed new PCG policies and revised MoU, as outlined in the definition of the PBC, is prepared by the BDF, along with supporting documentation including the new PCG policies and revised MoU, meeting minutes of the Board meeting, meeting minutes of the consultation and dissemination meetings with PFIs, SMEs representatives, and other stakeholders, and descriptions of other dissemination channels and activities. BDF can select the attendees of the consultation meetings but they should at least include all the existing PFIs. The report will

	be assessed by the World Bank. Verification will include a review of the report described above for consistency with PBC definition. These verified results will accompany any disbursement request to the World Bank by the BRD along with the eligible expenditures.

PBC 2	Increased market uptake of the guarantee product
Description	The total outstanding guarantees will exceed RWF 30 billion, RWF 40 billion, RWF 50 billion, and RWF 65 billion based on the latest quarterly PCG portfolio report (US$7M will be disbursed for each).
Data source/ Agency	BDF
Verification Entity	World Bank Desk Review
Procedure	A quarterly PCG portfolio report prepared by the BDF and assessed by the World Bank. The capital increase will need to be approved by the Board of the Directors of BDF. Verification will include a review of the report described above for consistency with PBC definition. These verified results will accompany any disbursement request to the World Bank by the BRD along with the eligible expenditures.

Annex 14: E&S Due Diligence Template for Direct Loan Beneficiaries and PFIs Borrowers (for BDF portfolio)

Background on the Direct loan recipient or PFI Borrower receiving funds	
Name of Institution/company:	
Address: **Country:**	
Authorized representative: I certify that the data contained in this report completely and accurately represents environmental and social management activities during this reporting period. Signature: Title: Date:	
Contact Details Telephone / Mobile: E-mail:	
Date of Report: **Reporting Period:**	
Contact details of the person responsible for environmental and social due diligence at the Institution	Name: Title: Phone/Mobile: E-mail:
Section 1: Compliance with E&S requirements for loan recipients	
1.1 Who has the primary overall responsibility for environmental and social matters within your company/Institution?	
Name: Title: Phone/mobile: E-mail:	
1.2 Company's project activities and environmental and social risks	

1.2.1 Has the company prepared an ESMP, PMP and/or any other E&S instrument(s)?	❑ Yes ❑ No
Environmental and Social Key risks and impacts:	
1.3 Loan recipient/Companies Environmental and Social due diligence and Monitoring Procedures	
1.3.1 Describe how environmental and social procedures have been integrated into project activities.	
1.3.2 State any difficulties and/or constraints related to the implementation of the ESMP, PMP and/or other E&S instruments	
1.3.3 Confirm compliance with the BDF's exclusion criteria.	❑ We can confirm compliance with the exclusion criteria ❑ The following project activities were rejected due to conflict with the exclusion criteria: ❑ Other relevant issues regarding the exclusion criteria:
Monitoring of loan recipients' and contractors' activities	
1.3.4 Describe how the companies's environmental and social performance is monitored (e.g. site visit by Bank staff; inspection by environmental/health authorities; copies of updated or renewed permits, third party monitoring, other (please specify).	
1.3.5 Does the company receive visits by local environment and labor regulatory authorities to monitor their environmental and social performance?	❑ Most receive visits at least once per year ❑ Most receive no visits ❑ Some receive visits, but not frequently
1.3.6 Give details of any project activity cancellations or issues/incidents due to environmental, health, safety, labor or other social grounds	
1.3.7 Give details of any project activities rejected on environmental, health, safety, labor or other social grounds	
1.3.8 Give details of any environmental and social issues associated with the company during the reporting period:	

Any accidents/litigation/complaints[16]	❑ Yes/ No
1.4 Environmental Capacity and Support of the loan Recipient(s)	
1.4.1 Is the company familiar with the Environmental and Social Management System Guide (ESMS Guide)?	❑ Yes, all operating staff are familiar with the ESMS Guide and have access to it when carrying out their work ❑ The staff to whom environmental and social risk management has been delegated are familiar with the ESMS Guide ❑ Not familiar
1.4.2 Which aspects of the ESMS Guide are most useful to the company? Are there any areas in the ESMS Guide that could be supplemented or improved upon? Have there been any problems with the information provided in the ESMS Guide or any technical difficulties in using the Guide?	❑ Yes /No - If yes, please describe? ❑ Yes /No
1.4.3 Did operating staff receive environmental and social training during the reporting period with regard to E&S risk management?	❑ Yes, all operating staff received environmental and social training ❑ Only a few staff, including the person with overall responsibility for environmental and social risk management. ❑ No training was provided
1.4.4 Who provided the environmental training?	❑ BDF, other Donor organisation, PFIs or training organisation? Please provide names of the training provider ❑ In-house training ❑ When was the last training provided? Please insert dates(s)
1.5 Stakeholder Engagement	

1.5.1 Is there a point of contact for dealing with public enquiries and concerns related to environmental and social matters?	Name: Title: Phone/mobile: E-mail:
1.5.2 How many complaints or grievances did the company receive from members of the public or civil society organisations during the reporting period specifically with regard to E&S risk management? Summarize any issues raised in the complaints or grievances and explain how they were resolved.	
1.5.3. What efforts did the company make to consult and include vulnerable groups (e.g. women, disabled, elderly, youth, marginalized groups) in project activities?	
1.5.4. What measures are in place to deal with SEA/SH risks? How many SEA/SH complaints have been received? How many have been resolved in a timely, safe and adequate manner? How many SEA/SH complaints have been referred to GBV service providers?	

Annex 15: Microbusiness Loan (ERF) Performance Reporting Template

Frequency: Quarterly

Loan ID	**Outstanding Principal**	**Outstanding Interest**	**Total Outstanding (Frw)**	**Last Payment Date [MM/DD/YYYY]**	**Client Status [1 to 6]**	**Comments**	**Days in Arrears [Number only]**
PFI client ID in web app							

Annex 16: Quarterly and Annual Report outline template (for BDF managed portfolio)

(b) Cover Page

(c) Executive Summary

- Description of the Activity Objective (ONLY a description of the activity)
- Short summary of the progress made on implementation of the AFIRR project specifically sub-component 1.1

(c) Challenges and way forward

- Annual Achievements, highlight and successes (Only for ANNUAL REPORT)

Indicator	Data collection	Baseline	Fiscal year Targets 2021	Quarterly results 1	Quarterly results 2	Quarterly results 3	Quarterly results 4	Fiscal year results 2021	Comments
Value of agriculture-related financing and non-agriculture related financing accessed	**Method and Source:** *Records and reports from SACCOs (XXXX)* **Frequency:** *Monthly?*								
	Disaggregated by: *Sex*								
	Disaggregated by: *age group (16-30)*								
	Disaggregated by: *age group (30+)*								
	Disaggregated by: *Agric financing*								
	Disaggregated by: *Non agric related financing*								

- Quarterly Achievements, highlight and successes (Only for Quarterly Reports)

Indicator	Data collection	Quarterly Target	Previous Quarterly result	Actual Quarterly result	Comments
Value of agriculture-related financing and non-agriculture related financing accessed	**Method and Source**: *Records and reports from SACCOs (XXXX)* **Frequency:** *Monthly?*				
	Disaggregated by: Sex				
	Disaggregated by: age group (16-30)				
	Disaggregated by: *age group (30+)*				
	Disaggregated by: *Agric financing*				
	Disaggregated by: *Non agric related financing*				

(d) Cross Cutting themes
- Gender
- Youth
- Lessons learned and opportunities identified

(e) Monitoring, Evaluation
- Reporting on all BDF efforts made to improve its **Monitoring and Reporting Framework/Plan**

(f) Collaborating, Learning and Adapting
- Collaborating (Partnership with external actors in the implementation of sub-component 1.1
- Learning (what you are learning from SACCOs reports, call meetings and site visits)
- Adapting (how BDF is adapting or making adjustments to its operations to implement sub-component 1.1 as a result of challenges identified during implementation) *Only If any adaptations have occurred.

(g) Communications
- Highlights and Successes (communication activities during the reporting period: press releases, tweets, success stories published, etc.)
- Lessons learned and Opportunities

(h) Environmental compliance (situational description of how BDF and SACCOs comply with the environmental guidelines)- This is to report only cases of businesses that SACCOs believe have an adverse incidence on the environment and how the SACCOs addressed those issues. If not reported by SACCOs, this section can be covered and documented through quarterly site visit of BDF to SACCOs and some of their borrowers.

Annex 15: Terms of Reference for the project financed staff (BRD PIU)