

**SOCIO-ECONOMIC INCLUSION OF REFUGEES & HOST COMMUNITIES PROJECT IN RWANDA (JYA
MBERE PROJECT)**

MATCHING GRANT OPERATIONAL MANUAL

(Summarized Version for Participating Financial Institutions)

April 2022

1. Project Rationale

While Rwanda is peaceful and stable, forced displacement has long been a feature of the East African region. Instability in Burundi and the Eastern part of the Democratic Republic of Congo (DRC) has seen many people flee to Rwanda, with the country hosting 149,602 refugees and asylum seekers (48 percent from Burundi and 52 percent from DRC). The protracted refugee presence has had mixed impacts on the country.¹

Through the Financing Agreement Credit No. 6404-RW and Grant No D456-RW signed on the 16th May 2019 between the Republic of Rwanda and the International Development Association (IDA) to finance the project entitled “**Social Economic Inclusion of Refugees and Host Communities (SEIRHCP)**” with effectiveness of 16th August 2019, the SEIRHCP aims at improving access to basic services and economic opportunities for refugees and host communities, and supporting environmental management, in the target areas in Rwanda; which are Gatsibo, Gisagara, Karongi, Nyamagabe and Kirehe Districts hosting respectively refugee camps of Nyabiheke, Mugombwa, Kiziba, Kigeme and Mahama. In addition to those districts, we have Gicumbi that used to host Gihemebe camp and urban refugees residing in Huye District, Bugesera District and Kigali City.

The SEIRHCP is composed of four components, namely; Access to Basic Services and Socio-economic investments, Economic Opportunity, Environmental Management, and Project Management/M&E.

The objective of component 2 on Economic Opportunity is to improve access to economic opportunities for refugees and host communities in the target areas in Rwanda. The Component is implemented by the Development Bank of Rwanda (BRD) on behalf of the Ministry of Emergency Management (MINEMA).

The component 2 supports market-driven enterprises that are sustainable, inclusive, connected to Local Economic Development Plans, promote better livelihood of the owner, create employment and contribute to district growth.

The budget for Component 2 is US\$ 9,000,000, with US\$ 8,000,000 allocated to providing matching grants and US\$ 1,000,000 for capacity building of Business Development Advisers (BDAs), participating financial institutions (PFIs) and potential entrepreneurs in the target districts (both Rwandan nationals and refugees).

Additional financing was formally requested by the Government of Rwanda on February 10, 2021 to finance the costs associated with scaling up the original project through expanding investments on access to basic services and economic opportunities in response to the social and economic impacts of COVID-19. The Additional Financing will support a fast tracking over the coming 18-month period of investments in livelihoods, health, education, and water supply to address the impacts of COVID-19.

In line with Additional Financing, the budget for Component Two: Economic Opportunity has been increased in order to extend coverage to include urban areas. Subcomponent 2(a): Access to finance for refugees and Rwandan entrepreneurs will have an additional funding of US\$2.7 million while Subcomponent 2(b) Capacity building for improved access to finance will received an additional financing of US\$0.3 million.

¹Source: Project Implementation Manual of the SEIRHCP (also called the *Jya Mbere* Project).

The main activity of Component 2 is providing a matching grant to Refugees and Rwandan entrepreneurs with viable projects. This is to promote entrepreneurship and employment through access to finance (grants) with the aim to:

- Economically empower refugees and host communities, in remote and rural areas through access to finance and employment opportunities;
- Stimulate private investments, sectoral development, and economic development; and
- Improve social cohesion by making opportunities available to refugees and host communities and encouraging joint ventures.

The project provides also capacity building to implementing partners and beneficiaries including pre-financing and post- financing stages for helping them to increase business development and an entrepreneurial mindset in the targeted areas. Capacity-building activities will include:

- a) Building the capacity of enterprises and cooperatives to start and grow their projects.
- b) Enhancing the capacity of the existing network of Business Development Advisers (BDAs), who will, in turn, support local initiatives by linking them with funding from the project and other sources. In addition to existing BDAs, refugees will also be trained as BDAs and will operate in and outside the camps; and
- c) Enhancing Participating Financial Institution (PFI) capacity, including Savings and Credit Cooperative Societies (SACCOs), to help them access financing and better manage their funds.

2. Eligibility criteria

2.1. Eligible business activities

All economic activities permissible by Rwandan Law and that are not on exclusion list of the World Bank are eligible.

The project builds on existing economic activities and opportunities for new employment in the target districts. Livelihoods in the districts hosting the camps are based on a few core activities, among them; agricultural production, retail and food trade, and trades based on ‘hands-on’ skills such as carpentry, construction, tailoring and hairdressing.

Agro-processing activities also engage the districts’ workforce. Agriculture sector-related activities dominate all host districts and form the basis of livelihood and growth opportunities. There are existing and potential value-chains in the districts in livestock/meat production, milk processing, bananas and horticulture (fruits, vegetables).

Some districts have potential to further develop their tea and coffee sectors – two major export-oriented value chains.

Farmers’ associations and cooperatives form the basis of workforce mobilization.

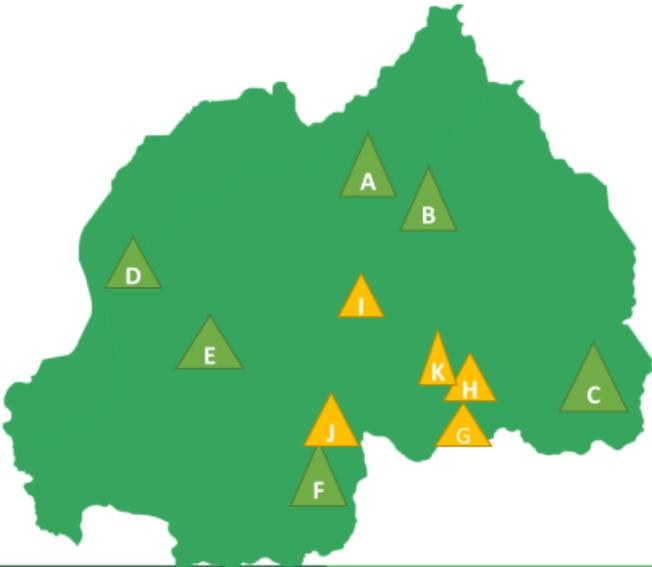
Refugee businesses in the camps, particularly in the more established camps, have developed relationships with wholesalers in their sector and district.

2.2. Beneficiaries of the project

Beneficiaries are entrepreneurs from the refugee population or Rwandan community who have business ideas that they can implement in the six districts hosting refugee camps in Rwanda (Gicumbi, Gatsibo, Kirehe, Karongi, Nyamagabe and Gisagara). Beneficiaries can be cooperatives, individuals' entrepreneurs, and companies (Small and Medium Enterprises (SMEs) and micro entrepreneurs). Joint activities between refugees and host communities are encouraged.

For urban areas, beneficiaries can be individual refugee businesses, cooperatives and companies joint ventured between host community members and refugees and/ or cooperatives and companies employing refugees at least 10% of their total staff.

Operational area of Jya Mbere:



- DISTRICTS/ REFUGEES CAMPS**
- A: GICUMBI District/ Gihembe Camp
(relocated to Mahama Camp)
 - B: GATSIBO District/ Nyabiheke Camp
 - C: KIERE District/ Mahama Camp
 - D: KARONGI District/ Kiziba Camp
 - E: NYAMAGABE District/ Kigeme Camp
 - F: GISAGARA District/ Mugombwa Camp
 - G: BUGESERA District/ Urban Refugees
 - H: KICUKIRO District/ Urban Refugees
 - I: NYARUGENGE District: Urban Refugees
 - J: HUYE District/ Urban Refugees
 - K: GASABO District

Beneficiaries will access the matching grant through Participating Financial Institutions (PFIs) for activities that will generate employment and economic development in the target districts if they qualify for loans from the latter.

PFIs are either banks, microfinance institutions or SACCOs.

2.3. Roles of PFIs

The PFIs will receive Matching-grant fund requests, do proposal appraisal including Social and Environmental safeguards screening, disburse funds, and perform follow up for funded projects. PFIs will have to report on a quarterly basis. The report shall include information on rejected projects (with reasons provided), ongoing applications, and funded proposals.

The matching grant fund will be paid to successful applicants upon paying the required share of the loan i.e. 50%, 60% or 70% depending on the project size. Specifically, the PFIs will be responsible for the following tasks:

- Receive and manage the grant as per the agreement between the PFI and BRD.
- Ensure that the Projects to be financed are for income generation purposes and improving livelihoods of the Refugees and/or Host Communities.
- Ensure that the projects to be financed are technically feasible, financially viable and will generate sufficient cash flow that will enable repayment within the loan duration.
- Disburse, in a timely manner, the matching grant funds and comply with eligibility standards set forth in this Manual.
- Follow-up financed projects to ensure that the grant serves its purpose, and inform BRD for any technical and capacity building need in support of beneficiaries
- Provide feedback to BRD in order to improve performance of the component, and achieve the overall goal of the project
- Ensure that financed projects fulfil the social and environmental safeguards (as provided in the manual) and does not have any negative impact on the environment;
- Submit to BRD required reports as per the agreement.

2.4. Eligibility criteria for final beneficiaries

Beneficiaries will be eligible when qualifying for loans according to policies and procedures of respective PFIs.

Ongoing projects with loans from PFIs can apply for a matching grant given that they have not already repaid 30% of the loan they had acquired. The PFI will provide to BRD proof of the repayments received. Due verification will be carried out by a team from BRD for a project in this category for MINEMA’s approval before the release of matching grant.

Eligible loans are to finance either capital investments, working capital (like, buying inputs or paying salaries to recruit), or a mix of the two.

Proposals for funding will need to be consistent with the objectives of the project and the component on economic opportunity. Namely, that the project is viable, will create employment and generate income, promote sustainable economic development and investment, and be socially inclusive.

Beneficiaries	Loan Amount (Rwf)	Matching Grant Ceiling (%age of Loan Amount)	Eligibility to final Beneficiaries
Cooperatives	5 Million and below	50%	<ol style="list-style-type: none"> 1. RCA Certificate. 2. Good Cooperative governance (Leadership, policies & procedures) 3. Track history of good Financial. Management (audited financials with non-loss position) unless newly created cooperatives. 4. Own contribution of at least 10% of the total project cost. 5. Project complies with requirements on social and environmental safeguards. 6. All interventions should implement in the targeted districts.
	Above 5 Million to 25 Million	40%	
	Above 25 Million	30%	

			<ul style="list-style-type: none"> 7. Qualify to access loan from a PFI. 8. At least 10% of the project's employment or value chain benefits refugees, and cooperative membership includes 10% refugees.
Micro-Enterprises	5 Million and below	50%	<ul style="list-style-type: none"> 1. Complying with District regulations for doing business. 2. Possess trading license 3. Quality to access loan from a PFI. 4. Resident in targeted districts and refugees.
	Above 5 Million to 25 Million	40%	
	Above 25 Million	30%	
SMEs, Compagnies and MSMEs	5 Million and below	50%	<ul style="list-style-type: none"> 1. In addition to conditions fulfilled by Micro Enterprises, possess certificate of domestic company registration. 2. At least 10% of the project's employment or value chain benefits refugees.
	Above 5 Million to 25 Million	40%	
	Above 25 Million	30%	
Urban Areas (Kigali City, Huye and Bugesera)			
Urban Refugees	5 Million and below	50%	<ul style="list-style-type: none"> 1. Refugee residing in Urban areas 2. Complying with District regulations for doing business. 3. Possess trading license 4. Quality to access loan from a PFI. 5. Resident in targeted districts and refugees. 6. At least 10% of the project's employment or value chain benefits refugees.
	Above 5 Million to 25 Million	40%	
	Above 25 Million	30%	
Host Community businesses in Urban areas	5 Million and below	50%	<ul style="list-style-type: none"> 1. Complying with District regulations for doing business. 2. Possess trading license 3. Quality to access loan from a PFI. 4. Resident in targeted Urban areas. 5. Joint businesses and cooperatives between host community members and refugees. 6. At least 10% of the project's employment or value chain benefits Urban Refugees.
	Above 5 Million to 25 Million	40%	
	5 Million and below	50%	

2.5. Eligibility Criteria for Participating Financial Institutions

BRD will select PFIs based on the following criteria:

- Valid operating license from BNR to work as a financial institution.
- Regular reporting to BNR in line with the laws and regulations
- NPL less than 10% identified in annual financial reports
- Profitable position in the last 3 years as attested by audited financial statements.
- 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
- 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 loans.
- 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.

3. Processes and Procedures

3.1. Financial institutions (FIs):

- BRD will send a request to FIs to express interest in participating in the SEIRHCP in the target districts. The call for applications will indicate requirements to be fulfilled for a FI to participate in the Project.
- FIs will send their expression of interest providing a self-assessment report showing how they fulfil the selection requirements to participate in the project.
- Based on the self-assessment reports, BRD will select qualifying FIs and assess them. The Management of BRD will be the final authority to approve which PFIs to work with in this project. PFIs already assessed and qualified under other WB-financed projects within the last three years that demonstrate good performance will be exempted from further assessment.
- Qualifying FIs will be informed by BRD and will be called upon to sign a participation agreement. The PFIs will also be required to provide a Pipeline (indicative number and value of projects to be financed at least in the first year of project implementation).
- The PFIs that do not qualify for signing the agreement will be informed what they are lacking in terms of qualification requirements and be advised that as soon as they fulfil the requirements, they can reapply.
- BRD will solicit for project pipelines (a list of projects to be financed by PFIs which are eligible for matching grant).
- A PFI submits to BRD a Pipeline of potential bankable projects and if approved, BRD will transfer the matching grant funds to the concerned PFI.
- A PFI shall request for Matching Grant funds corresponding to the Pipeline of Projects it intends to finance approved by BRD subject to fulfilling provisions of the matching grant manual.

3.2. Final Beneficiaries

- A PFI will appraise bankable Projects submitted by a Refugee and/or Host Community member (as an individual, Micro, SME, cooperative, etc.) following its Policies and Procedures and conditions.
- Matching grants will be provided as a complement to loans offered by participating financial institutions, including SACCOs, MFIs and banks.
- PFIs are encouraged to consider favourable conditions including waiving of collaterals if it will be required for successful implementation of the project.
- For Projects of Frw 50 Million or less, the PFI will, in addition to its loan granting Policies, consider Environmental and Social Safeguards provided in the matching grant manual.²
- For Projects of above Frw 50 Million, in addition to appraisal by PFI on fulfilment of its loan granting conditions, the PFI will submit the clients' files to BRD for approval of Environmental and Social Safeguards.

4. Procurement procedures

After the Matching Grant Agreement is signed, the Beneficiary will be responsible for preparing simplified procurement plan and get World Bank approval through BRD and conducting the procurement process to select the business service providers that will support him to implement the activities, and suppliers of the materials/ equipment in order to reach the objectives.

The Project Implementation Unit (PIU) Procurement Specialist will make sure to provide all the information related to the procurement process to the Beneficiary need to know through communication material and dissemination activities.

The selection of service providers and the suppliers of the materials/ equipment is undertaken by the Beneficiary in accordance with well-established private sector procurement procedures or commercial practices that shall be acceptable to the World Bank.

Prior/Post Review: The first two Grants will be subject to the Bank's prior review. This review will include the process as well of selecting the business service provider as well as the draft contract. All other grants will be post-reviewed by the Bank. The review will be conducted on annual basis.

General Provisions on Commercial Practices:

1. PIU will prepare simplified procurement plan based on beneficiaries need assessment and submit for Bank approval;
2. PIU will notify Beneficiaries that they are required to comply with the latest World Bank Anti-Corruption Guidelines (available on the Bank's website: www.worldbank.org);
3. Beneficiary will select the business service providers based on a quality and cost analysis. For each business service provider to be hired, the Beneficiary will develop a term of reference defining scope, time, and budget;
4. Beneficiary will select the supplier of the materials/ equipment based on comparing price quotations obtained from different suppliers, to assure competitive prices, and is an appropriate

²The checklist to be used in in annex A

- method for procuring small quantities of readily available off -the-shelf goods or standard specification commodities of small value. If the Beneficiary has been unable to obtain three quotations, this will not result in rejecting a contract, but it shall provide the PIU with the reasons and/or justification. Each request for quotations shall include the description/specifications and quantity of the goods, as well as desired delivery time and place;
5. Organizational arrangements of the Beneficiary to conduct procurement shall take into consideration the need for economy, efficiency and transparency of the procurement activities, their timing and quality of the procured services and materials/ equipment.
 6. Certain procurement will not be eligible for financing under the project:
 - Consulting Services/Equipment purchase contracts between Beneficiaries and their subsidiary or affiliated companies unless there is an established arms-length arrangement. If procurement is proposed from affiliate firm, the procurement file should include an explanation which will demonstrate the reasonableness of the profit margins of affiliate firms;
 - Contracts with firms/individuals which are not eligible under the World Bank financing under Paragraph 1.11 through 1.13 of the Consultant Guidelines;
 - Contracts with firms/individuals declared ineligible by the World Bank (updated list is available on: www.worldbank.org/debarr);
 7. All complaints received by the Beneficiaries will be forwarded to the Bank for review and comments and/or action as appropriate.

The following are recommended, but not mandatory, practices to be followed by the Beneficiaries in procuring consulting services, works and goods under commercial practices:

- The beneficiaries are recommended to observe competitive procedures;
- Advertising bidding opportunities in the local and international press is considered best practice though not mandatory under commercial practices;
- In principle, evaluation and selection of service providers and suppliers of the materials/ equipment will be based on consideration of quality, reliability, performance, price Records Keeping: The PIU and Beneficiaries shall keep the relevant documents and records of the completed procurement for reviews when requested by the Bank. The procurement related documents filed in the Project Files for each grant will include the following:
- As applicable and available, advertisements, Terms of References and/or Technical specifications, short lists, copies of proposals/quotations received, evaluation reports, evidence which proves the consultant / supplier is not a subsidiary or affiliated company of the beneficiary, copies of contracts, invoices, and other documents indicating that private sector commercial practices were applied transparently and competitively.
- Procurement Checklist, which will include information on the selection process and/or compliance with the Commercial Practices provisions.

5. Next step

PFI's interested to work with BRD on this project are invited to contact BRD at their headquarters, located at KN 3 Kigali, Rwanda or on jyambere@brd.rw

Annex A: Checklist on Social and Environmental Safeguards for Component 2 of SEIRHC Project

Environmental and Social screening guiding questions (Yes or No)

- 1) Is the sub-project found in the list of projects that require EIA or partial EIA as per the Ministerial Order n°.001/ 2018 of 25/04/2018 determining the list of works, activities and projects subject to an environmental impact assessment in Rwanda (Annex 13.4. of ESMF)?
- 2) Will the sub-project affect people's use of natural resources (e.g., drinking and washing water, land cultivated for food, wood fuel, traditional medicines plant, and extraction of building materials, etc.)?.....
- 3) Will the sub-project restrict people's access to natural resources at any time before, during, or after construction?
- 4) Will the sub-project affect land or water use, or require leases, or changes in tenure?
- 5) Will the sub-project require land acquisition or resettlement of any residents?
- 6) Will the sub-project result in construction workers or other people moving into or having access to the area?
- 7) Is the sub-project site culturally or archaeologically sensitive?
- 8) Is it a sub-project site located in or nearby a cemetery or memorial area?
- 9) Is the vegetation at sub-project site mainly forest, swamp vegetation, or farmland?
- 10) Will the sub- project change the vegetation cover of the area?
- 11) Will the sub-project affect important species, habitats, or ecosystems in the area?
- 12) Is the sub-project located on a steep slope or very-gently-sloping land?
- 13) Will a large land area or a high proportion of a community's land be affected by sub-project?
- 14) Will quarries or borrow pits-be developed or operated under the project?
- 15) Are there important species, habitats, or ecosystems in the sub-project site (in the immediate area or off site) or is the area environmentally sensitive or fragile? (For e.g.: birds, bats, bees, etc.)
- 16) Will vegetation be removed or any surface left bare?
- 17) Will the sub-project generate waste products (including increased sewage or solid wastes)?
- 18) Will the sub-project or its waste disposal affect the quality of local streams or the groundwater?
- 19) Will the sub-project create dust or noise problems?
- 20) Will the sub-project require intensive labor work force?
- 21) Will the sub-project have a large-scale use of pesticides and chemical fertilizers?

If the answer to any of the questions is “yes”, Environmental Management Plan (EMP) is required in the sub-projects’ beneficiary loan documents.

If the answer to any of the questions related to land acquisition is “yes”, please send the file to BRD for consultation before a decision is made to grant loan or grant. Where conditions on Social and Environmental Safeguards are not fulfilled, the matching grant will not be granted.³

³Unless there is an explicit approval from BRD for the waiver of a given aspect of the social and environmental safeguard concerned.

CERTIFICATION

We certify that we have thoroughly examined all the potential adverse impacts of this sub-project as described in the sub-project brief. To the best of our knowledge, the associated safeguard instruments (EIA, EMPs, RAP) if any, will be adequate to avoid or minimize all adverse environmental and social impacts.

PFI (SACCOs and MFIs)⁴

Name:

Position:

Telephone:

Signature:

Signature:

⁴The PFIs can only certify the checklist on Social and Environmental Safeguards for projects that are less than 50 Million Rwf where none of the 21 items response "YES". For projects of 50 Million Rwf or more OR where any of the checklist items of social and environmental safeguards response is a "YES", the PFI will send such a file to BRD for a decision.

ANNEX B: Annex 3: Matching Grant Agreement between BRD and PFIs. Refer to the Matching Grant Manual in its Annex 5

ANNEX C: Disbursement form

**SEIRHC Project
Participating Financial Institutions**

Disbursement Request Form

Name & Address of the PFI.....

To Program Implementation Unit (PIU), Development Bank of Rwanda (BRD), Kigali

In continuation of our letter No. _____ date _____ forwarding our Financial Statements, we forward herewith our application for sanction of a Matching Grant of FRW _____ (in words _____) under the SEIRHC Project, Component 2a: for Access to Finance for Refugees and Rwandan entrepreneurs.

We enclose a certified copy of our Management Resolution No. _____ date _____ approving our application for the captioned matching grant amount and also authorizing _____ (Name) (Designation) to execute necessary documents for the matching grant on behalf of our Institution in favor of the BRD.

We request that the matching grant amount may be sanctioned for a period of _____ years (period equivalent to when the Beneficiary is expected to have repaid the loan in full), subject to terms and conditions in the Participation Agreement.

Signed on _____

the PFI name, represented by:

Address for the PFI is:

Signed on

By [PFI] Authorized Representative

Annex D: Disbursement agreement, Refer to the Matching Grant Manual of January 12th 2022, page 49

Annex E: Matching Grant agreement between the grant beneficiary and the PFI , Referred to the Matching Grant Manual in its annex

Annex F: The following table will be used to report on the utilization of the Matching Grant amount

Name of the Beneficiary	Total Grant amount to be received by the PFI from BRD	Grant amount disbursed to Beneficiaries that completed loan repayment	Remaining grant amount for Beneficiaries yet to fully repay their loan	Total loan amount to which the grant amount received relates	Outstanding loan amount where the Beneficiary has not fully paid their loan	Loan amount in arrears (loans that exceeded their tenor)