



Development Bank of Rwanda

Renewable Energy Fund Project

Operations Manual

Direct lending to Mini-grid developers

The World Bank/ Development Bank of Rwanda

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ABBREVIATIONS AND ACRONYMS

BRD	Development Bank of Rwanda
BNR	National Bank of Rwanda
EnDev	Energizing Development
ESMF	Environmental and Social Management Framework
E4I	Energy for Impact
FRW	Rwandan Francs
GoR	Government of Rwanda
IFR	Interim Financial Reports
IFRS	International Financial Reporting Standards
IPF	Investment Project Financing
MGD	Mini-Grid Developer
M&E	Monitoring and Evaluation
MINECOFIN	Ministry of Finance and Economic Planning
MININFRA	Ministry of Infrastructure
OM	Operations Manual
PFI	Participating Financial Institutions
PIU	Project Implementation Unit
RBF	Results-Based Financing
RDB	Rwanda Development Board
REF	Rwanda Renewable Energy Fund
REG	Rwanda Energy Group
REMA	Rwanda Environment Management Authority
RPF	Resettlement Policy Framework
RURA	Rwanda Utilities Regulatory Authority
SACCO	Savings and Credit Cooperatives
SME	Small and Medium-sized Enterprise
SREP	Scaling-up Renewable Energy Program
TA	Technical Assistance
US\$	United States Dollars
WB	World Bank

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RENEWABLE ENERGY FUND PROJECT

Operating Guidelines

Project Life	Six (6) years [2017 – 2023]
Loan amount and financing Source	US\$ 27.50 million - SREP/World Bank
Grant amount and financing Source	US\$ 21.44 million – SREP/World Bank
Implementing Agency	Development Bank of Rwanda (BRD)
Interest Rate: GoR to BRD	Based on Subsidiary Finance Agreement
Interest Rate: BRD to MGDs	Based on Sub-Loan Agreement
Maturity: BRD to MGDs	Up to 96 months with up to 24 months' grace period
Repayment: MGDs to BRD	Based on Sub-Loan Agreement
Consumer Education & Protection	MININFRA in partnership with BRD and PFIs will educate consumers and promote the REF Project.

Operations Manual

This excerpt of the Operations Manual (OM) is designed specifically for use by the Development Bank of Rwanda (BRD) and mini-grid developers (MGDs). The purpose of the OM is to define the processes needed for effective implementation of *Window 3 – Direct financing of mini-grid developers* under the Renewable Energy Fund (REF) project¹.

I. Project Development Objectives and Expected Benefits

a. Project Development Objectives (PDO)

The Project Development Objective is to increase electricity access in Rwanda through off-grid technologies and facilitate private-sector participation in renewable off-grid electrification. The PDO will be achieved by providing a financial intermediary financing to the Government of Rwanda (GoR) as the borrower. GoR will on-lend the funds to the Development Bank of Rwanda (BRD), which will administer the facility. BRD will be the project implementing agency and will function as a wholesale institution for participating Savings and Credit Cooperatives (SACCOs) and commercial Banks, as well as lend directly to mini-grid developers.

Targeted beneficiaries are Rwandan households and businesses which will gain access to off-grid electricity services through solar systems or mini-grids and whose use of electricity will replace consumption of diesel, kerosene, and dry cell batteries as well as other alternative fuels. The direct project beneficiaries include (i) participating SACCOs and commercial banks, which will gain knowledge and experience in lending in a new sector; (ii) mini-grid developers who will gain access to finance to build mini-grids; and (iii) private companies engaged in off-grid electrification (mini-grid developers), which will get access to financing for expanding their businesses in Rwanda as well as gain experience of working with local financial institutions. BRD will also benefit from capacity building in energy lending.

b. PDO Indicators

The achievement of the Project objectives will be measured through the following PDO results indicators:

- a. People provided with new or improved electricity service (number) (Corporate Results Indicator);
- b. Enterprises provided with access to electricity as a result of project interventions (number);
- c. Increased private sector investment in renewable energy electrification (US\$); and
- d. Annual electricity output from project renewable energy interventions (MWh per year) (SREP).

¹ The OM can be adjusted, if and when necessary, to reflect actual needs and experience in REF implementation. Any changes to the OM must be approved by the World Bank.

II. Project Components

The project has been structured around two components: (1) Line of credit and direct financing for off-grid electrification; and (2) Technical assistance, capacity building and project implementation support.

Component One - Line of credit and direct financing for off-grid electrification (US\$ 45.94 million SREP funds). This component will operationalize a Renewable Energy Fund (REF), a local-currency line of credit and direct financing facility that will help address access to finance and affordability constraints to accelerate growth of the off-grid electrification market in Rwanda. The REF will provide access to local-currency financing through three financing windows.

- a. *Window 1 – On-lending through SACCOs to households and micro-enterprises:* The window will provide a wholesale line of credit to BRD for on-lending to SACCOs that comply with established eligibility criteria. SACCOs will on-lend the funds to eligible households and micro enterprises² for purchasing qualified solar systems of Tier 1 and above access level.³
- b. *Window 2 – On-lending through banks (commercial and microfinance) to households and small and medium enterprises (SMEs):* This window will provide a wholesale line of credit to BRD for on-lending to eligible commercial and microfinance banks, which will extend sub-loans to households and SMEs for the purchase (and possibly, in the case of SMEs, distribution) of qualified solar systems of Tier 1 and above access level. Eligible SMEs will have to make contribution equivalent to 20 percent of the total cost toward the purchase of the system.
- c. *Window 3 – Direct financing of mini-grid developers:* This window will provide direct financing to eligible mini-grid developers to finance up to 70 percent of construction of renewable-energy based mini-grid systems. The REF will provide ‘bridge loan’ financing until grant funding from existing RBF programs becomes available, as well as long-term financing beyond commissioning. REF loans will be used to bring a mini-grid project to commissioning, when RBF becomes available from other donor-funded programs. Selection of projects will adopt a technology neutral approach. Hybrid systems, including diesel back-up, will be eligible for support under the condition that the diesel component is financed from sources other than the SREP.

Component Two - Technical assistance, capacity building and project implementation support (US\$ 3.00 million SREP funds).

² Enterprises with (i) less than FRW0.5Million Net Capital Investments, (ii) less than FRW0.3Million Annual Turnover, and (iii) 1 to 3 employees. *SME Development Policy, Ministry of Trade and Industry*, http://www.minicom.gov.rw/fileadmin/minicom_publications/policies/SME_Devt_policy_V180610.pdf

³ Qualified solar systems. All supported systems will be required to meet the Lighting Global Quality Standards or equivalent national quality standards, if those are acceptable to the World Bank, subject to regular independent verifications to ensure alignment with International Electrotechnical Commission (IEC) Technical Specifications.

III. Financing Arrangements

a. BRD to Mini Grid Developers

BRD will on-lend the funds to MGDs which comply with eligibility criteria agreed with the World Bank. The on-lending arrangement will be governed by a MGDs Sub-Loan Agreement to be signed between BRD and each MGD. The MGDs Sub-Loan Agreement will outline the terms and conditions of the financing, and detail the rights and obligations of both parties, and remedies among other provisions. The standard form for the MGDs Sub-Loan Agreement is provided as Annex 1.

The MGD financing will be provided directly by BRD using its own credit risk appraisal and due diligence. The following are the recommended financing terms and tenors for BRD’s direct lending to MGDs:

Table 1: Terms of Direct Lending to MGDs

Item	Description
Currency	Rwandan Francs (FRW)
Amount	Maximum initial loan size is equivalent to US\$ 500,000 or larger depending on business case; loan size cannot exceed 70% of the investment without consent of BRD
Maturity	3 to 8 years’ dependent on business case
Grace Period	6 to 24 months’ dependent on business case and construction period
Repayment	Monthly, Quarterly or semi-annually dependent on business case
Interest Rate	Commensurate with cost of capital (not higher than 3.5%), and project risk
Conditions	BRD loans to be repaid prior to any disbursement of dividends, or sale of shares with no prepayment penalty.

- BRD provides loans to developers with repayment obligations in local currency, including a margin to cover cost of capital, currency, and project risk. BRD takes full credit risk in lending to Developers.
- Loan tenor is tied to the individual project business case, and is expected to be in the 3-8 years’ range with 6-24 months’ grace period (depending on length of construction period), or longer for long-lived assets, long concession periods and projects with demonstrated need as validated through BRD project evaluation. Interest may be capitalized during the grace period, as validated and approved by BRD during project evaluation.
- Developers that are eligible to receive a Results-Based Financing grant may also apply for an REF loan from BRD, provided it has been contractually agreed between the RBF provider and the Developer that the RBF funds shall be directly disbursed to BRD to repay the corresponding amount of the REF loan (and prior to any disbursement of dividends, or sale of

shares). If the RBF grant is higher than the loan amount (including any capitalized interest), then the loan should be fully paid off and the remainder be remitted to the Developer. If the RBF grant is less than the loan amount, then the RBF provider should pay the full grant amount to BRD, and the Developer shall repay the balance of the loan under the terms and conditions of its loan agreement with BRD.

- Developers would not incur any penalties for pre-paying their loans from BRD.
- Total maximum initial loan amount is US\$ 500,000 for mini-grids, or larger if corresponding equity has been secured and project has been validated by BRD project evaluation. Total maximum size is in line with BRD's standard approval and concentration limits.
- If a Developer qualifies for commercial debt financing and requires an additional loan amount for expansion financing, 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 has step in rights to replace the Developer to secure assets and maintain electricity supply to the populations served.

IV. MGD Financing Process

BRD will be open to receiving loan applications from Mini-Grid Developers (MGDs) on a first-come, first-serve basis, subject to the provisions of the Public Private Partnerships Law (Law No. 14/2016 of 02/05/2016) and Simplified Licensing Framework (Regulation No. 01/R/EL-EWS/RURA/2015), as applicable. MGDs will obtain debt finance for mini-grid projects if these projects meet a set of eligibility criteria set out in this OM. The financing process can be divided into seven steps:

- **Step 1:** BRD invites MGDs to submit loan applications.
- **Step 2:** If a MGD anticipates that a project, which it is developing, would meet the eligibility criteria for the Facility, the MGD in question can apply for a loan from BRD to finance the investment and the associated working capital requirement. (If in doubt about eligibility, MGDs are encouraged to contact BRD to seek its opinion on possible eligibility issues and ways to address them.) The Loan Application Package shall include a business plan and be submitted to BRD (in any reasonable well-organized electronic format – See Annex 4).
- **Step 3:** BRD will make an initial review of the Loan Application Package for completeness, and will verify the eligibility of the project and the eligibility of the sponsor (i.e. the MGD). If BRD cannot confirm project or sponsor eligibility, it will request additional information from the MGD as required.
- **Step 4:** After having verified the eligibility, BRD will appraise the application and business plan in accordance with its normal credit risk appraisal and management procedures. This includes an appraisal of the creditworthiness of the Borrower (i.e. the MGD), as well as an assessment of the feasibility of the project, including technical and financial viability, compliance with safeguards requirements, and capacity for debt service. If the appraisal is positive, the application will be recommended for credit approval. Approval of projects by BRD shall take 30 working days.

- **Step 5:** BRD submits the loan application package, cover letter, and Credit Appraisal Memorandum to World Bank for no objection. Once World Bank completes the review and provides its no-objection (by way of a No Objection Letter (NOL)), the loan application can be presented to the BRD's approval authorities. The final BRD approval will take 5 working days at most.

If World Bank has any issues or notes any deficiencies, BRD will be informed, in writing, about the details of World Bank's assessment and any remedial actions required. If any remedial actions are required, BRD shall inform the MGD concerned. Once the issues have been adequately addressed, BRD may ask World Bank for a second review and no-objection.

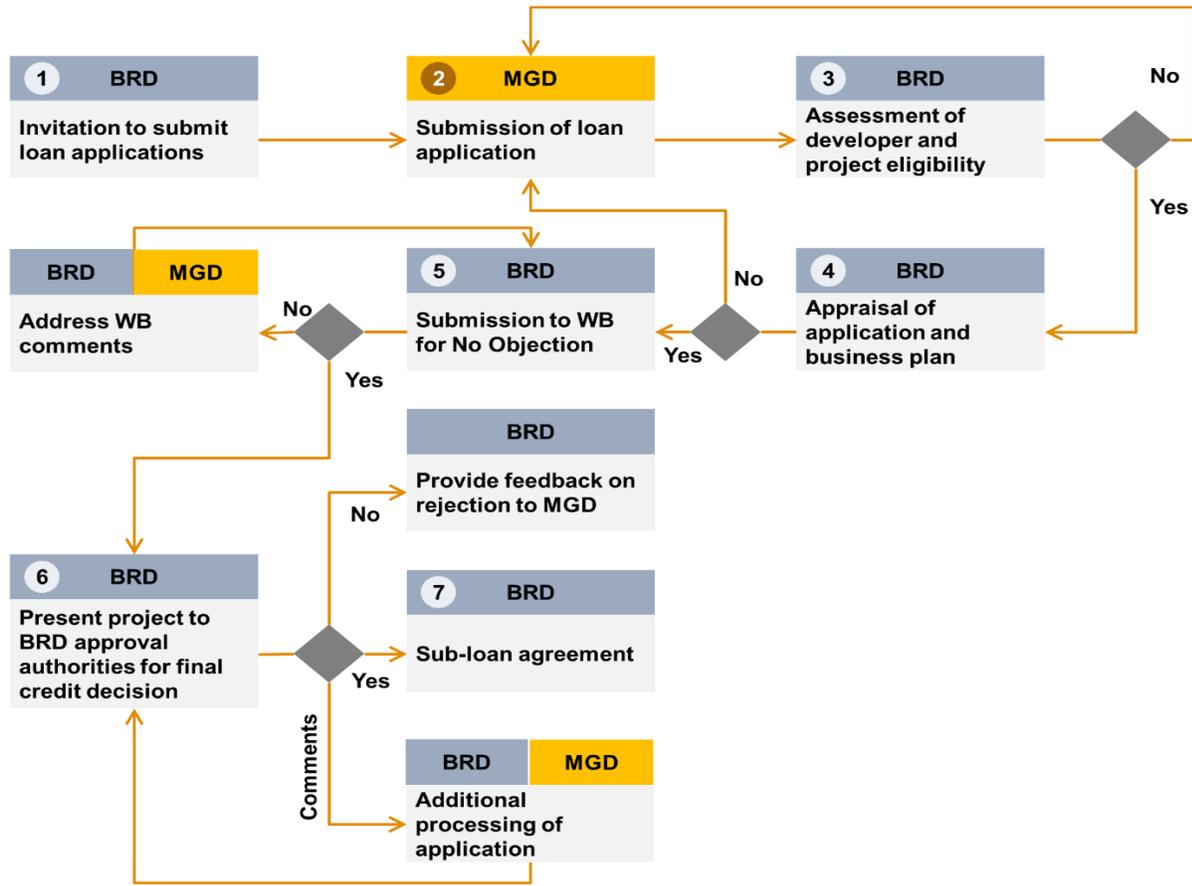
- **Step 6:** If BRD's and World Bank's reviews are favorable, BRD will present the project to its approval authorities for final approval. There are three alternative outcomes:
 - The loan application is approved;
 - Additional processing is required before the application can be approved;
 - The loan application is rejected;

BRD will issue a letter within 5 working days, informing the MGD about the result of the application process.

If the application is approved, it will then proceed to the final step (step 7). In the second case, BRD will refer the issue back to the MGD for additional processing. If subsequently approved, the application can then proceed to the final step (step 7). In the third case, BRD will provide sufficient detail for the Applicant to understand why the application was rejected.

- **Step 7:** Following BRD's approval of the loan, a Sub-Loan Agreement with the MGD will be signed and followed by disbursements to the borrower.

Figure 2: MGDs Financing Process



Approval process where parallel financing is available

If parallel financing is available from other programs, the application should include documentation to confirm this, including the source, amount and terms of such financing.

Mini-grid developers that request a combination of a REF loan and RBF grant financing (e.g., EnDev or other RBF programs) should attach a letter from EnDev to the REF loan application. The letter should confirm preliminary approval of RBF-based grant funding for the subproject concerned, and specify that the grant monies will be paid directly from EnDev to BRD upon validation of connections (post-commissioning). The RBF funding thus received will be recorded by BRD as repayment of a corresponding amount of the REF loan.

Similarly, for other co-financing sources, such as capital buy-down grants (e.g., offered by E4I or other programs), documentation confirming that co-financing will be available at the time of the REF loan application.

V. Project Implementation Arrangements

a. Role of the Development Bank of Rwanda (BRD)

The BRD will be the REF project implementing agency and will host a PIU to successfully fulfill its REF management functions. A Steering Committee has been established for effective coordination and project oversight, and to provide strategic and policy guidance at the national level.⁴

The PIU will be the primary counterpart for the project in BRD. The PIU will be responsible for monitoring indicators, supervising the credit lines and direct loans, as well as implementation of the necessary technical assistance to the beneficiaries. This includes collecting necessary information from project beneficiaries, assessing and monitoring compliance with the respective eligibility criteria, supervision of withdrawal applications and loan books, and reporting on progress during implementation.

b. Role of Mini-Grid Developers

MGDs will construct renewable-energy based mini-grid systems. Each MGD shall maintain, with terms of reference satisfactory to BRD and the World Bank:

- **Technically trained staff** responsible for design, procurement, construction and commissioning of a mini grid required for effective project implementation.
- **Legal and commercial staff** responsible for the negotiation of tariffs, funding and other agreements necessary to achieve project objectives.
- **Adequate policies, procedures and controls** to enable it to appraise and manage the financial and operational risk of mini grid construction and commissioning in accordance with indicators acceptable to BRD and the World Bank, the progress in Project implementation and the achievement of Project objectives.

Specific MGDs responsibilities include:

- Prepare relevant application documents and supporting information for submission to BRD;
- Ensure that BRD and its technical experts can conduct thorough due diligence on the Developer, the business, and relevant stakeholders;
- Enter into and execute sub-loan agreements;
- Be responsible for timely debt service and making full repayment of the loans;
- Participate in training offered by the Project for developers;
- Build, operate and manage and provide electricity to the community in a safe, reliable and financially responsible manner;
- Provide feedback when requested by BRD through questionnaires, evaluation workshops, etc.;
- Assist REF stakeholders in understanding problems and barriers to implementing renewable energy projects;
- Cooperate with MININFRA and RURA as required for planning, information sharing, and tariff setting;

⁴ The Steering Committee is comprised of representatives from BRD, Ministry of Infrastructure (MININFRA), Ministry of Finance and Economic Planning (MINECOFIN), and Rwanda Energy Group (REG).

- Draft regular reports as specified by BRD.

c. Role of the Rwanda Utilities Regulatory Authority (RURA)

For MGDs window, RURA will apply the regulation pertained to mini-grids following the Simplified Licensing Framework for Rural Electrification, which streamlines the licensing process for two classes of mini-grids (i.e., 50kW-100kW, 100kW-1MW).

d. Role of the World Bank

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

- Conduct site visits to observe progress and meet with beneficiaries and borrowers.
- Supervise that the Bank's Environmental and Social Management System has been duly followed.
- Disburse funds as requested. Review of disbursement management and financial flows, as applicable.
- Review and supervise the project implementation performance, including financial management aspects.
- 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.
- Discuss and agree with BRD on changes needed in the OM and discuss/address all issues that might impede effective project implementation or compliance with agreed policies and procedures.
- Monitor compliance with World Bank's procurement guidelines, and prior-review procurement contracts to be placed by MGDs.

e. Role of the Steering Committee

- Provide general oversight and strategic guidance to the REF Project and monitor implementation progress;
- Identify and address challenges with participating entities;
- Approve modifications to the qualifying criteria or from BRD to the borrowing entities.
- Review and Approve the rules and guidelines of operations of the Facility with No-Objection from the World Bank;
- Oversee the implementation of the activities that contribute to the agreed standard indicators of outputs, outcomes and impacts;
- Review and endorse quarterly project progress reports for onward submission to the BRD Board of Directors;
- Facilitate coordination between key government agencies and resolve issues;
- Approve major changes to the REF project Operations Manual (OM);
- Trigger the process of activation of the financing window for direct financing of locally-registered off-grid solar companies supporting Tier 1 and above solar systems.

VI. MGDs Qualification and Eligibility Criteria

Access to participation shall be open to all interested MGDs on a first-come, first-served basis, subject to the provisions of the Public Private Partnerships Law (Law No. 14/2016 of 02/05/2016), as applicable, and which are able to satisfy the eligibility criteria. The criteria apply both to the developer *and* to the mini-grid project being funded. MGDs that are to be considered for participation are required to:

- Allow the authorized World Bank’s representatives on a need-to-know basis access to privileged and confidential information necessary to appraise whether the MGD meets and/or continues to meet the agreed qualification criteria;
- Agree to undertake annual external audits by reputable auditors and according to international auditing standards;
- Agree to devote adequate resources to the Project, to establish and maintain an adequately staffed technical teams, management group and other support functions, and to join any available Project-related training;
- At agreed frequency, collect and provide operational information on their mini-grid operations, including electricity production by energy source, customers by type and their electricity consumption, outages and reasons and time needed to restore power, collection efficiency, peak load and demand curve, new customer connections by type;
- Permit the PIU or their authorized consultants to conduct surveys of MGD customers in the service area to establish baselines and project impacts and outcomes.

The BRD will appraise all interested MGDs in order to confirm whether they meet the agreed eligibility criteria. The final decision on the MGD’s qualification for participation will be made by the BRD in consultation with the World Bank.

a. MGDs Eligibility Criteria

To access funding under the MGD window, the developer must meet certain eligibility criteria consistent with the World Bank lending windows:

- Licensed with adequate ownership structure – companies should be:
 - duly registered with the Rwanda Development Board as a private company for at least 2 years or demonstrate sufficient competence, capability, capacity, and/or experience as determined by BRD;
 - have valid tax and social security clearance certificates;
 - have a local commercial bank account.
- The owners and managers of the enterprise must be “fit and proper” and demonstrate market awareness and ability to develop and run a business as determined by BRD;
- Have prior operating experience and organization, management, staff and financial and other sources required for the efficient carrying out of operations;
- Contribute at least 30% of project investment or more in equity, as cash or in kind (fixed assets, properties, etc.) as validated by BRD to demonstrate adequate Developer financial

commitment. Pre-investment expenses can be considered as Developer equity if allowed by BRD. Equity can also be contributed by third parties, such as angel investors or other disclosed external investors. A meaningful portion of the contribution must be either first invested into project construction or in a bank account in cash, as validated by BRD prior to disbursement. Developers that receive capital cost buy-down grants such as from the SOGER project or others, may use these funds in lieu of complete Developer's equity contribution upon approval by BRD. Determinations on adequate Developer financial commitment shall be made on a case-by-case basis by BRD;

- Provide a pledge of assets of the project company, and its shares in the project company as collateral, with step in rights for default. Credit may be enhanced through guarantees from third parties, through sourcing by, or in consultation with BRD, subject to availability and meeting BRD's requirements.

b. Eligible Renewable Energy Mini-grid Projects

Only projects from eligible Developers that comply with the following qualifying criteria concerning type of mini-grid and regulatory, environmental and social requirements can access debt financing under the MGD window:

Type of Mini-Grid

- An isolated non-grid connected mini-grid or a portfolio of mini-grids providing electricity access to at least 20 customers per site or less if there is sufficient demand to justify the establishment of a mini-grid as determined by BRD. Customers are defined as independent units that buy electricity through a metered system or equivalent as determined by BRD;
- The mini-grids must be renewable-energy powered. At least 75% of the estimated annual energy produced by year 3 (per forecast) must be from renewable energy sources;
- Hybrid power generation projects (e.g., renewable energy with diesel) are eligible for financing. However, the part of the investment that is attributable to non-renewable generation shall not be financed under the Facility. The investment cost of any non-renewable energy generator should therefore be less than or equal to the amount of equity contributed by the Developer plus any third-party finance mobilized by the Developer;
- The projects must be technically and financially feasible. Technical feasibility must be confirmed by BRD-designated engineer. Financial viability and adequacy of debt service is to be confirmed by BRD;
- The project area should not be targeted for national grid supply within 5 years, as confirmed by EDCL. This requirement may not be necessary for mini-grids providing a pre-electrification level of service which will recover the investment in a shorter period (loan maturity will be decided accordingly);
- The sponsors of projects must comply with all other requirements relating to the eligibility of Developers.

Regulatory

- Mini-grid projects under 1 MW must comply with the provisions of Regulation No. 01/R/EL-EWS/RURA/2015 governing the simplified licensing framework for rural electrification in Rwanda, and its subsequent amendments;
- Mini-grids must comply with approval procedures, as set by MININFRA, relating to the PPP law (law N°14/2016 governing public-private partnerships);
- Expression of interest from the local leader(s) to benefit from the electricity service against payment of fees. The letter needs to be certified by the respective cell authority;
- Letter of support from the relevant District to demonstrate interest in the service from the relevant local authorities. This may be in the form of land lease or other means as validated by BRD;
- Letter from EDCL suggesting that a mini-grid is appropriate and suitable in the area of focus and not in plans for grid extension within a sufficient period of time (7 years) as determined by BRD in its evaluation of the business model for the Developer (see Annex 2);
- Further, the mini-grid and its generation sources must comply with minimum technical standards or good practice guidelines with respect to performance, quality and safety as per this OM.

Environmental and Social Requirements

- The projects must comply with the REF Project Environmental and Social Safeguards Framework and Resettlement Policy Framework.

Technical requirements

- The mini-grid and its generation sources must comply with technical standards issued by RURA. If not applicable, project must comply with minimum safety standards;
- Technical specifications to be reported to BRD as part of the application package can be found in Annex 3.

c. Ongoing MGD Financial Performance Criteria

Participating MGDs must be creditworthy and with a sound financial condition as determined by BRD based on its financial history, and its current and projected financial position.

d. Appraisal of MGD Eligibility – Information Needed

Before the eligibility appraisal starts, the MGD should provide information on its financial condition and performance capability indicating that it is able to meet the eligibility criteria.

This should include:

- Externally audited financial statements meeting IFRS standards for the previous two years, including external audit opinion and recommendations;
- Un-audited financial statements as of the last three months, or as late as they are available. These should specifically include balance sheet, income statement, cash flow, asset classification and provisioning levels;

- Description of its funding status and plans.

Once the appraisal starts, an MGD should provide all necessary information for BRD to appraise whether it meets the eligibility criteria. This will normally include:

- Summary letter to BRD requesting financing which includes:
 - Project(s) description with basic data (name and location), energy production technologies, capacity and shares of power and energy by renewable energy and other sources, single-line diagram;
 - Location of the project(s);
 - Number of total connections proposed by (e.g., domestic, commercial...);
 - Amount of funding sought;
 - Proposed equity contribution;
 - Source of equity contribution;
 - Proposed third party finance (if applicable);
 - A list of regulatory approvals or permits required, secured, or in process;
 - List of supporting documents included in application package.
- All other regulatory approvals and permits secured or in process as relevant to the project and described in this OM;
- Business plan which includes the following (further details in Annex 4):
 - Bios and experience summaries of key team members and associated organizations and relevant organization chart;
 - Overview of business and how it generates revenue, its costs, and profitability;
 - Market assessment which contains analysis of tariffs and verification of acceptability of tariffs by community representatives;
 - Financial model and costs anticipated along with proposed loan repayment plan;
 - Implementation schedule;
 - Operational plan following construction;
 - Community engagement summary of how the community benefits from the project(s);
- Feasibility study which outlines the technical and financial viability of the project;
- Community and land authorization and/or support letters;
- Relevant agreements with partners, funders, engineers, construction firms;
- Procurement Plan;
- Environmental Impact Assessment / Environmental Management Plan;
- Resettlement Plan (if applicable);
- Relevant grant approval letters (if applicable).

e. Mini-Grids Eligibility Review Process

The eligibility review will be executed by BRD and cleared by the World Bank. This shall include interviews with the company's senior management and review of its financial condition, technical expertise, policies and procedures and Project implementation. More specifically, it shall include:

- Interviews with senior management regarding the company's organization, business strategy, funding, ownership and governance structure;
- Interviews with senior management on the company's financial condition and profitability, controls and regulation, including a review of related policy documents;
- Review and discussion of externally audited financial statements for the last three years and unaudited financial statements from the last three months;
- Interviews with senior management on the technical aspects of mini-grid development, project management, procedures and practices.

Eligibility review findings shall be discussed with BRD and with the MGD's senior management. If the MGD is able to meet all eligibility criteria, it will be cleared to participate in the Project. The MGD is expected to continue to meet the eligibility criteria as long as it continues to participate in the Project. The responsibility for the check-up to confirm the on-going compliance will be transferred to BRD. The confirmation check-up shall be done once the external audits are available, at least once per year.

Once the eligibility has been confirmed, a MGD will sign a Sub-Loan Agreement. The Sub-Loan Agreement specifies details regarding the terms of access to Sub-financing, mutual responsibilities and terms and conditions of participation of the MGD in the project. Once signed, it will allow eligible MGDs access to finance on specified terms for eligible final borrowers.

f. Implementation Requirements

An eligible MGD shall carry out activities with qualified management and technical staff in adequate numbers for effective implementation of the Project. It shall conduct its operations in accordance with sound management practices and in conformity with sound policies and procedures referred to in this OM and applicable BRD procedures. The MGDs shall:

- Develop mini-grids in accordance with the terms and conditions set forth in the OM and comply with requirements specified in the Sub-Loan Agreement and other signed legal documents;
- Not assign, abrogate or waive any of its commercial or funding agreements, or any provision thereof, without prior approval of BRD and the World Bank;
- Exercise its rights in relation to its commercial and funding agreements, and regulatory permissions in such manner as to protect its interests and the interests of the BRD, comply with its obligations under its respective Sub-Loan Agreement and achieve the purposes of the Project.

g. Suspension

If an MGD fails to be compliant with eligibility criteria and all applicable policies and procedures specified in the OM, its access to Sub-financing shall be suspended. The suspension rules are the following:

- If a MGD is found to breach the established eligibility rules for projects, further disbursements and access to new funding will be suspended until the MGD has fully refunded the sub-financing related to the breaches;
- If an MGD 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;
- If an MGD fails to observe applicable Bank policies it shall be asked to rectify the mistakes by a certain deadline, or else 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;
- If an MGD 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;
- If an MGD becomes insolvent, or shows a significant decline in financial performance, it will be given a deadline to improve its capital and/or financial position, or else the control of the Bank-funded mini-grid will be moved to BRD or another MGD which continues to meet the criteria. Such a MGD will be selected on a competitive basis. The insolvent MGD will be suspended;
- In cases when it has been established beyond reasonable doubt that a MGD's owners or managers are not "fit and proper", the bank will be given a deadline to remove such owners or managers and appoint ones that are "fit and proper", or else control of the Bank-funded mini-grid will be moved to BRD or another MGD which continues to meet the criteria. Such MGD will be selected on a competitive basis.

The actions needed to address the specific issues that provided the basis for suspension and the deadlines by which the actions need to be completed will be defined by BRD in agreement with the World Bank. The MGD's right to sub-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. The decision on removing the suspension shall be made by BRD in agreement with the World Bank.

VII. Disbursement Arrangements

BRD will disburse from this Designated Account the requested and approved sub-loan amount to the Dedicated Accounts of each MGD that has signed the Sub-loan Agreement. Disbursements to MGDs will be done in FRW.

Documentation Requirements. For all expenditures with respect to which withdrawals from the BRD Designated Account were made on the basis of statements of expenditure, the MGDs shall:

- Maintain records and accounts reflecting such expenditures, including evidence that the sub-loan proceeds were used exclusively for eligible expenditures;
- Retain until at least one year after the last withdrawal from BRD or payment out of the Designated Account was made, all records (service agreements, orders, invoices, receipts and other documents) evidencing such expenditures;
- Enable BRD and the World Bank's representatives to examine such records, as requested.

BRD will be responsible for collecting from the MGDs and for retaining the supporting documentation for statements of expenditures (SOE) and other payments and making them available to World Bank supervision missions, as well as to the auditors, if and when requested.

If BRD (or the World Bank) 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 MGD shall, promptly upon notice from BRD: (i) provide such additional evidence as BRD may request; or (ii) deposit into the Account specified by BRD an amount equal to the amount that was not eligible or not justified.

VIII. Repayment Arrangements

MGDs Principal Repayments - The MGDs shall repay the principal amount of the sub-loan due in accordance with the amortization tables set forth in the respective Sub-loan Agreement.

The MGDs are required to make payments to BRD regardless of whether or not they have received payments from their customers.

The MGD shall repay the sub-loan or any portion thereof before the agreed due date upon demand being made by BRD:

- if the MGD 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;
- if the MGD cease to exist;
- if the Agreement is terminated by BRD or by the MGD;
- if any information or document related to the Agreement concerning the MGD Sub-loans or credits proves to have been untrue or incorrect; and/or if any given information concerning the Beneficiary proves to have been knowingly incorrect.

MGD Interest Payments - The withdrawn and outstanding balance of the sub-loan shall bear interest at a rate specified in the agreements. The total interest due by the MGD to BRD shall be equal

to the sum of interest on withdrawn and outstanding balances of the sub-loan for all sub-loan financing extended to the MGD.

IX. Monitoring, Evaluation and Reporting

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. The PIU will collect data and reports from MGDs and present progress in achieving the key and intermediate indicators to the World Bank quarterly. This will be carried in conjunction with World Bank team implementation and support missions.

MGDs will monitor their project and will be responsible for progress reporting. Developers shall provide periodic reports to BRD which shall include:

- Status and stage of mini-grids in development, construction, and/or operation;
- Number of mini-grids financed (per mini-grid type);
- Number of connections (per type: households, businesses, institutional, etc.);
- Number of direct beneficiaries (of which female);
- Amount of capacity installed (in megawatt, by source);
- Amount of energy produced (in megawatt-hour per year, by source);
- Amount of GHG emission reductions (in tons of CO₂ per year);
- A list of challenges to implementation or operation and proposed solutions.

X. External Audit Arrangements

The project annual financial statement will be audited in accordance with International Standards on Auditing (ISA). The project's financial information shall be also consolidated into the BRD accounts audited by the external auditors.

MGD External Audit Arrangements - The corporate borrowers shall maintain separate records and accounts for the project in accordance with sound accounting practices. The borrowers shall:

- Have their financial statements and Project related records and accounts audited each fiscal year, in accordance with IFRS or applicable national accounting and financial reporting standards, by independent auditors acceptable to BRD and the World Bank;
- Furnish to BRD and the World Bank 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 the World Bank and BRD shall have reasonably requested;
- Furnish to BRD and the World Bank other information concerning records and accounts and the audit thereof as BRD and the World Bank shall reasonably request.

XI. Environmental and Social Management System

World Bank policy OP/BP 4.01 and OP/BP 4.12 are the only safeguard policies triggered by the project in light of environmental and social risks from proposed activities. To ensure proper assessment and mitigation of the potential adverse environmental and social impacts, an Environmental and Social Management Framework (ESMF) and Resettlement Policy Framework (RPF) will be used for guiding BRD on how to address any environmental and social impacts of project investments. Thus, Environmental and Social risks associated with Rwanda Renewable Energy

Funds will be managed through the RPF, ESMF and BRD Environmental and Social Management System (ESMS).

Environmental safeguards

The main environmental, health and safety concerns are likely to be associated with collection, recycling and disposal of spent batteries at the end of their useful lives, which is usually 3-5 years after deployment. Rechargeable batteries for storing solar energy may run on nickel-cadmium (Ni-Cad), nickel metal hydride (NiMH), lithium-ion (Li-ion), lead-acid (Pb-A) or lead-gel (Pb-gel).

Construction and installation of mini-grids systems will have more impacts. These impacts will be managed by preparation and implementation of site specific EIA/EMP as appropriate. During the feasibility study, the subproject developer will use the screening form provided in this operational manual to determine whether the Environmental and Social Impact Assessment (ESIA) is required. If the screening shows that ESIA is required, the developer shall request terms of reference in RDB and prepare an Environmental and Social Impact Assessment report using a certified EIA expert.

These instruments will be prepared by developer and will be included in loan application documents to be assessed by BRD together with other subproject appraisal documents. Annex 5 provides the subprojects screening form and generic terms of reference that will be shared by developer to guide them in the preparation of environmental safeguards instruments. BRD will hire/outsources an environmental safeguards specialist who will assist the Project Implementation Unit in assessment of environmental compliance during subprojects appraisal and coordinate the implementation and Monitoring Environmental safeguards instruments.

Social safeguards

The construction of mini-grid systems may lead to involuntary resettlement and acquisition of land. This triggers World Bank Policy OP 4.12 on involuntary resettlement and national laws on Expropriation for public interest. This would require preparation and implementation of social safeguards instruments. The management of involuntary resettlement risks will be managed through the Resettlement Policy Framework (RPF) prepared for the Rwanda Renewable Energy Fund (REF) and subprojects Resettlement Action Plan as well as national Expropriation law. The preparation of resettlement instruments will be done during feasibility studies and shall be submitted as part of sub projects application documents. The mini-grid developer will carry out initial social economic survey and use screen form to determine whether the Resettlement Action Plan (RAP) or Abbreviated Resettlement Plan (ARAP) is required. If the RAP/ARAP is required, the developer will prepare a Resettlement Action Plan to be submitted together with application documents. Annex 6 provides the screening form and generic terms of reference that will guide developers to prepare resettlement instruments.

Environmental and social safeguards implementation Procedures

This OM sets out a structured set of environmental and social assessment requirements:

- As a first step, an environmental and social screening is conducted according to the risk categorization set out in the RPF/ESMF. Screening forms, Generic terms of reference for EIA and RAPs preparation are provided in annexes;
- Credit appraisal is the second step, requiring mandatory documentation and certification (EIA certificate, land title, compensation agreement, etc) by the appropriate authorities (RDB, Land administration Authority, Rwanda Environmental Management Authority, etc.);

- The third step is approval of the sub-loan by the BRD Credit Committee after a final review of all environmental and social assessment documentation;
- After credit approval, negotiation of the credit agreement, and commencement of loan-financed activities, the final step is loan environmental and social risk monitoring, including reporting to the World Bank.

Given that the World Bank loan proceeds will be used to finance sub-loans under the Financial Intermediation Project, a key element of the ESMS will be maintaining a database for review by the World Bank as part of its due diligence of the utilization of loan proceeds. Together with the formal monitoring reports that are to be submitted every six months using the template provided in Annex of the ESMS, each MGD that utilizes World Bank loan proceeds lent by BRD will submit an annual environmental and social performance report to BRD.

The World Bank will conduct supervision missions, and from an environmental and social perspective, the frequency of those missions may vary according to the degree of environmental and social impacts. However, it is expected that the World Bank will conduct supervisions every six months.

During semi-annual missions, the World Bank will supervise subproject's environmental and social safeguard arrangements in the following ways:

- Review of BRD lending documentation related to environmental and social issues in sub-projects financed from World Bank loan proceeds, including field reports from BRD's Environmental and Social safeguards officers, and relevant environmental reports from Environmental regulatory authority;
- Assess compliance with the BRD's ESMS and OM requirements.

The World Bank will also assess the adequacy of institutional arrangements, such as staffing of specialists, needed to implement the BRD ESMS effectively.

The database maintained by BRD should be readily available to World Bank staff responsible for due diligence of the Project. Routine compliance with environmental and social indicators should be maintained in a database that is readily available to the World Bank for review during the implementation of the subproject.

For quality assurance, safeguards instruments prepared for subprojects considered for funding under the REF will be shared with the World Bank and will be disclosed locally and at World Bank Infoshop. Developer will also avail copies at district and sector office as well as at site.

Applying World Bank Performance Standards

Eight Performance Standards that set out environmental and social screening procedures have been adopted by the World Bank in its OP/BP 4.03 *Performance Standards for Projects Supported by the Private Sector* for application to projects (or components thereof) financed by the World Bank that are designed, owned, constructed and/or operated by a Private Entity.⁵

⁵ The Performance Standards can be found at www.ifc.org/enviro or on the Safeguards website of the World Bank, Further information is provided in the World Bank *Performance Standards for Private Sector Activities: Guidance Note*. Additional guidance may be sought in IFC's *Good Practice Notes*, and IFC's January 2012 *Interpretation Note on Financial Intermediaries*.

The Performance Standards are the following:

- Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts;
- Performance Standard 2: Labor and Working Conditions;
- Performance Standard 3: Resource Efficiency and Pollution Prevention;
- Performance Standard 4: Community Health, Safety, and Security;
- Performance Standard 5: Land Acquisition and Involuntary Resettlement;
- Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources;
- Performance Standard 7: Indigenous Peoples;
- Performance Standard 8: Cultural Heritage.

The REF Project is categorized as FI, and as such, each MGD that utilizes the World Bank loan proceeds coursed through the BRD will be required to:

- follow the BRD ESMS commensurate with the level of social and environmental risks in its portfolio, and prospective business activities;
- apply relevant aspects of World Bank Performance Standard 2 to its employees;
- Ensure that all subprojects supported by the World Bank comply with applicable national and local laws and regulations and the World Bank Performance Standards.

BRD will review the existing portfolio and/or proposed business activities of the MGD to identify risks, and assess whether the ESMS developed by the MGD is appropriate for managing those risks. Projects will be categorized by the significance of their environmental and social/involuntary resettlement impacts. Significance will be determined by scrutinizing the type, location, scale, nature, and magnitude of a project's potential impacts. The environmental and social safeguard categories that BRD, and then, MGDs will use are:

a. Environmental

- **Category B.** Projects with anticipated moderate adverse impacts on the environment. These include projects with minor environmental impacts, such mini-grids. Category B projects will require the preparation of an environmental and Social Impact assessment. No category A will be financed under REF;
- **Category C.** Projects with no anticipated adverse environmental impacts. Category C projects require no impact assessment studies.

b. Social

- **Category B.** Projects where fewer than 200 people will require an Abbreviated Resettlement Plan and A Resettlement Action Plan when the impact is significant.

ANNEX 1: Sub-loan Agreement between BRD and mini-grid companies

AGREEMENT dated, entered into between Development Bank of Rwanda (the Lender on one hand) and [insert name of the Solar Company/or MINI GRID COMPANY – Final Beneficiary on the other hand];

WHEREAS: (a) under a grant agreement (“Grant Agreement”) and a loan agreement (“Loan Agreement”) (together, “Financing Agreements”), dated July 7, 2017, between the Republic of Rwanda (“GoR”) and the International Development Association (“World Bank”), acting as implementing entity to the Scaling-up Renewable Energy-Program under the Strategic Climate Fund (“SCF-SREP”), the World Bank agreed to provide the GoR with a loan (SCF SREP Loan Number TF0A4969) and a grant (SCF SREP Grant No. TF0A4990) (together, “SCF-SREP Financing”) to assist in financing the Rwanda Renewable Energy Fund Project (“REF Project”), which is described in Schedule 1 to the Financing Agreements.

WHEREAS, the World Bank has agreed, on the basis, inter alia, of the foregoing to extend the SCF-SREP Financing provided under the Financing Agreements to the GoR upon the terms and conditions set forth in the Financing Agreements.

WHEREAS, the GoR delegated the responsibility for implementation and management of the Project to BRD, and, in this regard, the GoR has provided a portion of the SCF-SREP Financing to BRD for purposes of BRD implementation of the REF Project.

WHEREAS, the World Bank has entered into a Project Agreement with BRD, dated July 7, 2017, in connection with the Financing Agreements for the REF Project.

WHEREAS, BRD has agreed to implement Part 1(c) of the REF Project, in accordance with the Financing Agreements and the Project Agreement.

WHEREAS, BRD having satisfied itself as to the eligibility of [insert MINI GRID (NAME)] to participate in the implementation of Part 1(c) of the REF Project, in accordance with the Project Agreement and the REF Project Operations Manual, has offered [insert MINI GRID (NAME) name] (“Final Beneficiary”) a sub-loan (“Sub-Loan”) to assist in the implementation of the Part 1(c) of the REF Project;

WHEREAS, [insert Mini grid name] has agreed to use Sub-loans for purposes [_____] and in accordance with the terms and conditions set forth in this Agreement, Financing Agreements, the Project Agreement and the REF Project Operational Manual.

BRD and the (MINI GRID (Name) hereby agree as follows:

Article 1: Definitions

- **Sub-Loan or Direct Loan or Loan:** Amount 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;
- **Loan Agreement or Agreement or Direct Loan Agreements: means this Agreement.**
- **Prepayment penalties:** Penalties attached to the payment of all or part of the loan prior to its due date;

- **Cure period:** A contractually designated timeframe during which a Final Beneficiary can fix a default;
- **Event of default:** 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 13;
- **Interest rate:** Rate expressed in percentage at which the amount charged on the loan over time is calculated;
- **Penalty:** Additional payment required for not fulfilling the loan contract obligations with regard to due payments;
- **Restructuring:** Amendment to initial conditions & terms of the loan contract;
- **Representations and warranties:** Statements by which the Final Beneficiary gives certain assurances to the Lender and on which the Lender may rely;
- **Covenants:** Promises by the Final Beneficiary that certain activities specified in this loan agreement will or will not be carried out;
- **Credit Reference Agencies:** a company that collects information from various sources and provides credit information on Final Beneficiaries for a variety of uses;
- **Loan notification letter:** A letter addressed to the Final Beneficiary notifying him/her of the offer by the Lender of the loan and summarizing terms and conditions of the loan;
- **Commission:** Fee charged by the Lender for its service for appraising and offering the loan to the Final Beneficiary
- **Grace period:** Time period allowed by the Lender to the Final Beneficiary for which the latter is exempted from paying the principal loan without any penalty;
- **Commitment interest:** Charges paid by the Final Beneficiary in return of the Lender's commitment to make funds not yet disbursed available;
- **Final Beneficiary:** is a natural person or legal entity established and operating under Rwandan laws, with the organization, management, technical capacity and financial resources necessary to carry out the proposed Final Sub-project.

Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Financing Agreements.

Article 2: Amount of Loan

Under the terms of this loan and security contract, the Lender lends a loan facility amounting to (**FRW**) which the Final Beneficiary declares to have no objection.

Article 3: Purpose of the Loan

Lender agrees to lend a portion of the loan on terms and conditions set forth or referred to in this Agreement to the [insert Mini Grid (name)] for the implementation of its project related to renewal Energy located in Village,Cell, Sector, District.....Province.

Article 4: Terms and Conditions of Loan

BRD has the following rights:

- a. Suspend or terminate the right of the Final Beneficiary to use the proceeds of the Direct Loan, or obtain a refund of all or any part of the amount of the Direct Loan then withdrawn, upon the Final Beneficiary's failure to perform any of its obligations under this Loan Agreement;
- b. require each Final Beneficiary to:
 - Carry out its project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the World Bank, including in accordance with the provisions of: (i) the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Final Beneficiary; and (ii) the Safeguards Instruments required for the REF Project;
 - Provide, promptly as needed, the resources required for the purpose;
 - Maintain policies and procedures adequate to enable the Final Beneficiary to monitor and evaluate in accordance with indicators acceptable to the World Bank, the progress of the project and the achievement of its objectives;
 - (i) 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 (ii) at the request of the World Bank or BRD, as the case may be, have such financial statements audited by independent auditors acceptable to the World Bank, and promptly furnish the statements as so audited to the Final Beneficiary, the World Bank and the BRD, as the case may be;
 - Enable the BRD, or the World Bank, as the case may be, to inspect the project, its operation and any relevant records and documents; and
 - Prepare and furnish to the BRD, or the World Bank, as the case may be, all such information as the BRD, or the World Bank, shall reasonably request relating to the foregoing.

Article 5: Disbursement

The amount of the loan shall, upon the request of the Final Beneficiary, be disbursed in instalments after the effective fulfilment of conditions set forth in the loan notification letter N° DIR/...../DI/.... dated, 2017(8) earlier addressed to the Final Beneficiary by the Lender. The disbursements shall be carried out in the currency of the loan.

The disbursed amount shall be allocated in line with the repayment schedule earlier agreed upon between the parties.

If the amount of money disbursed does not add up to the Sub-Loan granted, the unused portion shall be deducted from the total amount of the loan granted.

The Final Beneficiary can, after payment of the service commissions, 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 honour the clauses under the present contract or if the loan term expires.

Article 6: Repayment

The Final Beneficiary shall be exempted from reimbursing the principal loan for a period of grace period, but the Final Beneficiary shall be paying the interests during the grace period.

After the grace period, the Final Beneficiary shall be reimbursing the loan for a period of(.....) years on equal monthly repayment basis.

The Final Beneficiary shall sign and submit a standing order authorizing the debit of the monthly instalments from his account in favour of BRD for reimbursing the loan amount.

Each monthly repayment shall be increased by one twelfth (1/12th) of the total insurance premiums and that amount shall be used to pay insurance premiums for the renewal of the comprehensive insurance over the Securities offered to the Lender, or any other insurance which may be requested by the Lender from time to time.

The Final Beneficiary may repay the loan in advance, either in whole or in part, but with a prior written notice of at least thirty (30) days. In that case, the Final Beneficiary shall pay to the Lender 5% of the amount repaid in advance. This amount repaid in advance shall be deducted from the principal amount on the last instalment on the date of repayment schedule earlier planned.

As for any other repayment that may be effected in any other place than Kigali, upon the request of the Final Beneficiary, fees or commissions accrued there-of shall be the onus of the latter. 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.

The costs, Lender's rights and the fees accrued from the present contract or any other costs incurred by the Lender on behalf of the Final Beneficiary shall wholly be the onus of the latter.

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 an event of default under the loan agreement.

If the Final Beneficiary fails to cure any default on or before the expiration of the thirty (30) 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 loan agreement, the entire unpaid principal, accrued interest, and penalties under this loan agreement shall accelerate and become due and payable immediately.

Article 7: Interests, commissions and fees

- a. The total amount disbursed and not yet repaid shall be charged an interest rate of % per annum. The said interests shall be payable on a monthly basis. The interest rate is subject to review in tandem with the market conditions and/or with effective costs of the funds to the Lender.
- b. The interest rates taxable on all outstanding repayments shall, in addition, automatically incur additional charge of 4% without having to notify the Final Beneficiary, in case of failure to honor the due installment as earlier agreed.
- c. A 1 % of the loan amount representing a commission for the service rendered plus 18% Value Added Tax (VAT) shall be payable before the signing of the loan contract. This fee is not refundable when the Final Beneficiary renounces the use of the loan.
- d. In the event of the restructuring of the loan, the Lender shall be entitled to a fee equivalent

to 1% plus 18% VAT of the loan balance restructured.

- e. The Lender shall be entitled to a management fee equivalent to 1% of the outstanding loan, plus 18% VAT, payable on each repayment date.
- f. The Lender shall be entitled to a commitment fee equivalent to 1% per year on the undisbursed amount payable monthly.

Article 8: Securities and Guarantees

In order for the Lender to be guaranteed the repayment of any amount of loan or any other kind of Lender fees incurred for whatever reason or by whatever means, the Final Beneficiary and Guarantor (s) have provided to the Lender, guarantees for an unspecified period as follows:

- Mortgage, first rank, on plot N° UPI:, located at Village, Cell, Sector, District,, and buildings constructed or which intend to be constructed there on belonging to Solar Company (Name) ;
- Comprehensive insurance over the mortgaged property with transfer of interests to BRD;
- Joint and several security of the Shareholders of Mini grid (Name) ;
- Promissory note.

The Final Beneficiary irrevocably consent that the Lender may assign and transfer all or part of its rights, titles and interests on the aforementioned guarantees, to a third party including a lending institution, replacement lender or additional lender, without further approvals of the Final Beneficiary.

Article 9: Mortgage Rules

The Final Beneficiary undertakes to accomplish all the necessary procedures required to obtain the title deeds (where applicable) of the plots for the project site mentioned in Article 7 and hand them on to the Lender.

In case of failure, the Lender undertakes to accomplish these procedures on behalf of the Final Beneficiary for a service fee amounting to 5% of the principal loan but this amount cannot exceed 5,000,000 RWF.

The Final Beneficiary hereby provides an exclusive proxy to the Lender, to undergo necessary formalities, including signing of the documents for the acquisition of these title deeds.

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 mortgage, on the 1st rank in favour of BRD Ltd, **for the period of the loan**, over the securities stipulated in Article 7, at the Office of the Registrar General, in order to secure the following loan:

- The total loan amounting to **FRW**, with the owed interests at the rate of per annum;
- A sum of **FRW** making 30% of the principal, to which the Lender shall have first privilege before other creditors to cover various miscellaneous fees, commissions and expenses incurred in case of the sale of mortgages by the Lender.
- The total amount for mortgage registration is **FRW**.

The mortgage includes even the immovable by virtue of their purpose found in the real estate mortgaged, as well as any other improvements done on the said real estate. Such a mortgage equally extends to the immovable incorporated as long as they belong to the owner of the immovable in which they are incorporated.

The Final Beneficiary hereby declares that the assets above are exclusively their own and they are not mortgaged as securities in any financial institution or elsewhere, and that there is no other legal commitment binding the said mortgage likely to take precedence over the present Mortgage, either by the State of Rwanda or by any other person whatsoever.

The Final Beneficiary further declares to have paid all duties on the mortgaged assets for the current year and expressly undertake to pay, in future and on time, any other costs accrued to the aforementioned assets.

The mortgaged assets shall be insured comprehensively by the Final Beneficiary against all risks. The Final Beneficiary shall inform the insurance company about the mortgage in favor of the Lender and hand insurance policies to the Lender. Insurance policies should bear a clause for transfer of insurance benefit to the Lender.

The Final Beneficiary shall redeem the mortgaged assets 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 incurred for whatever reason or by whatever means.

Article 10: Remedies in case of default of payment

In case of failure to pay the interests and the principal as planned on the repayment schedule for all loan facilities granted to the Final Beneficiary, the Lender shall have power to manage, lease, sell or take over the assets mortgaged in accordance with the law N° 10/2009 of 14/05/2009 on mortgages as modified and complemented to date and with the law n° 34/2013 of 24/05/2013 on security interests in movable property, as may be modified and complemented from time to time. In the event of sale of those assets, the Lender shall follow procedures set forth in the mortgage law and security interest in movable property law, and/or any other laws enacted by competent authorities.

Article 11: Insurances

During the entire period of the loan repayment, the Final Beneficiary undertakes to ensure that the mortgaged properties are comprehensively insured and are regularly renewed.

The Final Beneficiary accepts to deposit to his account, funds destined to pay for premiums of insurance policy renewals and authorizes the Lender to include the insurance premiums in the loan repayment plan and further consents that the Lender will undertake the renewal of insurance policies on their behalf. In case of failure by the Final Beneficiary to make the mentioned deposits, BRD undertakes to maintain in force such policies and will be designated as loss payee and the costs thereof shall be claimable with interest from the Final Beneficiary at the rate of the Lending and/ or lending facilities granted and shall be secured by the guarantees offered herein.

The insurance policies should include a clause that endorses the Lender as a loss payee of all indemnities corresponding to the loan not yet repaid such as capital, interests, commissions and other miscellaneous costs.

Article 12: Representations and warranties

The Final Beneficiary represents and warrants to the Lender that:

- a. It has legal capacity and power to enter into, perform and deliver this agreement, own the assets and carry on the business;
- b. 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;
- c. all authorizations required in connection with the project and agreement are in full force and effect and not subject to any challenge or revocation or similar proceedings;
- d. Rwandan law and jurisdiction will be recognized and enforced.
- e. No event of default or default and no other breach or default which has, or is reasonably likely to have, a material adverse effect;
- f. Provided information before, at the time of and after the signing of this agreement is true and not misleading;
- g. The opinions, financial projections and forecasts contained in the business plan 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;
- h. To the best of the Final Beneficiary's knowledge and belief, all written information provided to the Lender pursuant to the loan 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;
- i. His financial statements are prepared in accordance with internationally recognized accounting standards and present fairly and accurately the Final Beneficiary's financial conditions and operations;
- j. No investigation, litigation, arbitration proceedings started or threatened which, if adversely determined, would be reasonably likely to have a material adverse effect;
- k. No corporate action, other steps or legal proceedings started or (to the best of their knowledge and belief) threatened, for their winding up, dissolution, administration or reorganization or for the enforcement of any security or for the appointment of any receiver or similar officer;

Article 13: Covenants

Affirmative covenants

The Final Beneficiary undertakes as follows:

- a. to execute his contractual obligations in good faith;
- b. to execute its project, for which this Sub-Loan was provided, with due diligence and efficiency and in conformity with appropriate administrative, technical, financial, economic and environmental practices, including the provisions of the World Bank Anti-Corruption Guidelines and the Safeguard Instruments of the REF Project.
- c. to immediately inform the Lender of any event or any situation whatsoever, liable to make

- it difficult for him to honour the obligations that binds him under the present contract.
- d. to 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. to inform the Lender in advance of any decision likely to change the name, headquarters and business;
 - f. to 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. to pay extra costs that may be necessary for the total investment and successful implementation of the project financed;
 - h. to pay and discharge all fees, taxes and charges in relation to the execution of the present agreement during the whole period of the loan;
 - i. to prematurely repay the loan in the event of expropriation of mortgaged property or of the project site;
 - j. maintain all financial ratios as prescribed by any regulator of the Final Beneficiary's business during the term of the agreement;
 - k. to submit to the Lender his financial statements audited within 90 days from the end of the fiscal year
 - l. to maintain appropriate levels of insurance with reputable insurance companies in relation to his business assets, earnings and liabilities, bodily accidents, etc.
 - m. to comply in all respects with all laws and regulations of Rwanda as well as the requirements set out in the Financing Agreements to which they may be subject and especially with environmental ones;
 - n. to permit the Lender and any person authorized by the Lender to have access to, at all reasonable times during normal business hours and on a reasonable notice, accounting books, records, Lender accounts, computer programs and other data or information of the Final Beneficiary and to the officers of the Final Beneficiary to the extent reasonably necessary for the Lender to monitor compliance by the Final Beneficiary with his obligations;

Negative covenants

The Final Beneficiary undertakes as follows:

- a. not to enter into loan agreement with any other Lender or grant any credit to or for the benefit of any person without the Lender's consent;
- b. not to alienate the whole or part of his Real Estates, immovable assets as well as other types of equipment exclusively attached thereto by virtue of their purpose that has been mortgaged.
- c. not to contribute his immovable assets as shares 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, the assets mortgaged,
- d. not to stand guarantee for any third-party.

- e. not to 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.
- f. not to grant, lend, transfer or give for lease the mortgaged property or part of it without the consent of the Lender.
- g. not to 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.
- h. not to 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.
- i. not to 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.
- j. without the prior written consent of the Lender, not to open any Lender accounts other than the accounts notified to the Lender prior to the date of this Agreement.

Article 14: Events of default

The following events shall constitute events of default;

- a. Non – payment of principal, interests, commissions and fees on due dates.
- b. Misrepresentation
- c. Breach of covenants
- d. Any breach of any of the conditions and obligations relating to this agreement and the project.
- e. Material adverse change in the, management, business, control of the business or financial position of the Final Beneficiary.
- f. Diversion of the loan;
- g. Qualified report by the auditor of the Final Beneficiary’s financial statements
- h. Nationalization of the project or the Final Beneficiary
- i. Seizure of the Final Beneficiary’s assets
- j. Expropriation of the project
- k. Suspension of the project
- l. Dissolution of the Final Beneficiary
- m. Judicial Lenderruptycy or insolvency
- n. Cross – default
- o. Repudiation or challenge of administrative documents of the project
- p. Cancellation or removal of authorizations necessary for the Final Beneficiary to implement the project.

Article 15: Remedies to events of default

Regarding all events of default, if the Final Beneficiary fails or is unable to remedy such default within thirty (30) days of receipt of written notice thereof from the Lender, the latter shall reserve the right to cancel the loan, call on the outstanding amount plus interests, fees and penalties, execute securities, initiate legal proceedings or at its discretion take over the management of the project.

Article 16: Follow up

During the entire period of the loan repayment, the Final Beneficiary shall, at any moment, allow the Lender have access to the location of the project for any information on how the loan is being utilized.

Article 17: Reporting

- a. The Final Beneficiary shall submit on an quarterly basis reports on the performance of the project to the Lender.
- b. The Final Beneficiary shall provide any information on his business and/or operation requested for by the Lender in support of its project.
- c. Submission of financial reports is an integral part of the conditions for funding and failure to produce the required reports on due date will constitute a breach of this agreement.

Article 18: Disclosure of credit information

The Final Beneficiary accepts expressly and hereby allows the Lender to divulge credit Information to credit reference agencies according to the law N°16/2010 of 07/05/2010 governing credit information system in Rwanda.

Article 19: Liquidated damages

In case the Final Beneficiary fails to honour his obligations, the Lender shall seek a forced execution through state powers by sale of his property pursuant to Article 29, paragraph 2 of the law n°.13bis/2014 of 21/05/2014 Governing the Office of Notary, which states that: “Where any notarized document evidences an unquestionable debt due for payment, the court registrar may append enforcement order thereto”.

If such a deed clearly indicates that the debts are unquestionable and in liquid form, the Notary can dispatch its copy with executory formula.

In case the Lender deems recourse to the judiciary as the only viable alternative to recover the money, the balance unpaid by the Final Beneficiary shall include damages amounting to 8% of the total loan amount.

Article 20: Official address

In order for the present contract to be put into execution, official addresses of the contracting parties are as follows:

The Lender: at its head office in Nyarugenge district, P.O. Box 1341, Kigali city– Rwanda.

The Final Beneficiary: Village, Cell, Sector, District,

Article 21: Applicable law, severability, resolution of disputes and jurisdiction

The present contract is governed by the laws of the Republic of Rwanda. If a provision of this agreement is or becomes illegal, invalid or unenforceable in any jurisdiction, that shall not affect the validity or enforceability in that jurisdiction of any other provision of this Agreement; or the validity or enforceability in other jurisdictions of that provision or any other provision of this Agreement.

All disputes related to the performance of this agreement shall be settled amicably. In case of failure of amicable settlement, they will be referred to Rwandan competent courts.

Article 22: Taking Effect

This agreement takes effect from the date of its signature.

Done in three original copies

Kigali, on

For the Final Beneficiary

For the Lender

Representative(s)

Representative(s)

ANNEX 2: MININFRA/EDCL Approval Letter for MGDs

To whom it may concern:

EDCL has reviewed the business, technical, and implementation plans for XXX Developer and attests to the following to the best of its knowledge at the time of review:

1. The technical plan as described follows national standards for electrification including those for health and safety.
2. The target site(s) outlined in the implementation plans are not within EDCL's present grid extension plans for the subsequent 7 years.
3. The business plan and customer handling follows industry standard processes and procedures.

EDCL has no objection to XXX Developer proceeding with its plans as presented.

Signed,

XXX

ANNEX 3: Technical Requirements for Mini Grids

The following list is a guide for minimum technical specifications that should be reported with the complete application package.

1. Project site
 - a. Location (details on administrative level)
 - b. Geo-coordinates (latitude and longitude) of main power house, plus intake and fore bay (if applicable)
 - c. River name (if applicable)
 - d. Map showing power plant location and village locations
2. Customers/demand
 - a. Villages to be served and number of inhabitants in each
 - b. Economic activities in the area
 - c. Expected total number of customers in year 1, 3 and 5
 - i. Households
 - ii. Commercial
 - iii. Institutions
 - iv. Street lighting
 - v. Others
 - d. Load assessment per type of customer
 - e. Daily load curve and load growth estimates
 - f. Willingness/Ability to Pay assessments
 - g. Demand side management activities (if applicable)
3. Resource assessment
 - a. Solar irradiation study (if applicable)
 - i. Global Horizontal Irradiation
 - b. Hydrological, geological and topographic studies (if applicable)
 - i. Design Flow
 - ii. Flow duration curves and monthly flow curves
 - iii. Head
 - c. Others
4. Power Generation
 - a. Generation technology to be deployed
 - b. Capacity of power plants (by technology)
 - c. Expected annual electricity generation and details of its estimation
 - d. Single line diagram showing power supplies and network
5. Civil engineering components
 - a. Hydro
 - i. Weir and intake
 - ii. Headrace canal
 - iii. Forebay
 - iv. Penstock
 - v. Powerhouse
6. Electro-mechanical components
 - a. Hydro
 - i. Turbine

- ii. Coupling
 - iii. Generator
 - iv. Controller and protection system
 - v. Wiring and auxiliary installations
 - b. Solar
 - i. PV module
 - ii. Power Conditioning Unit, Charge Controller, Inverter
 - c. Diesel generation
 - d. Others
- 7. Storage system
 - a. Type
 - b. Battery specifications, battery life (including DOD battery life chart)
 - c. Configuration
- 8. Distribution system
 - a. Electrical details
 - b. Total length for each type of line
 - c. Distance from power house to farthest customer
 - d. Estimated losses
 - e. Number of poles
 - f. Metering system
 - g. Tariff system
 - h. Schematic
- 9. Environmental and social considerations and resettlement requirements (if any)
- 10. Operation and maintenance arrangements
 - a. Staffing plan

ANNEX 4: Business Plan for Mini-Grids

The following key information points should be included in the Business Plan for a mini-grid:

1. Summary
2. Information on the Company (Developer)
 - a. Contact details
 - b. Name of the company
 - c. Type of legal entity
 - d. Ownership
 - e. Financial statements (if available, otherwise list main assets and liabilities)
3. Project Information
 - a. Basic data on the mini-grid (name and location of the project, energy source/generation technology and capacity, number of connections)
 - b. Background – current status
 - c. Regulatory approvals (permits & licenses)
 - d. Technical and financial viability of the project (based on /pre-/feasibility study)
 - e. Project site (land issues)
 - f. Project implementation plan
4. Management & Operation
 - a. Project staff (description of key team members and their capacity to construct and operate the mini-grid);
 - b. Operational plan (following construction)
5. Market
 - a. Demand assessment
 - b. Competitive analysis
 - c. Existing power sources in the area
 - d. The current price and quality of service
 - e. Expected market share for the project
 - f. Potential customers
 - g. Promotion activities
6. Community Engagement
 - a. Beneficiaries
 - b. Popular and local government support for the project (support letter)
 - c. Impact of plant and project on living conditions and economy in the targeted area
7. Technical Section
 - a. System design
 - b. Irradiance (if solar) or hydrological (if HPP), topographic and geological conditions
 - c. Specifications and cost estimates for a) equipment & fixed assets; and b) civil works
 - d. Distribution network and consumer connections
 - e. Safety provisions
 - f. Environmental impact analysis / environmental management plan

8. Financing
 - a. Financing requirement (to cover capex + initial working capital)
 - b. Sources of funding (equity, debt, envisaged grants) and disbursement profile
 - c. Tariff structure
 - d. Insurance

9. Investment and Financial Analysis
 - a. Financial projections, presented in the form of a spreadsheet showing annual Profit & Loss, Balance Sheet and Cash-Flow for the initial five years or debt service period, whichever is longer;
 - b. Debt service capacity and estimated pay-back period

10. Risks and Risk Mitigation

11. Conclusion and Requested Financing
 - a. Requested support from REF (financial and technical assistance)

ANNEX 5: Safeguards Screening Form

REP Project: Select relevant project

Project Investment name [type here]

Location [type here]

Estimated cost (USD) [type here]

TYPE OF PROJECT OR ACTIVITY

Sub Project Type

- Construction of Mini Grid Systems
- Construction/Installation of solar panels

Please give more details: [type here]

For all projects, an Environmental and Social Management Plan (ESMP) will be required.

In addition, the following studies may be required:

Will this project affect vulnerable and marginalised groups? If yes, a Vulnerable and Marginalised Groups' Plan will be required	<input type="checkbox"/>	<input type="checkbox"/>
Will the project require land for its development, and therefore displace individuals, families or businesses from land that is currently occupied, or restrict people's access to crops, pasture, fisheries or forests, even, whether on a permanent or temporary basis. If yes, a Resettlement Action Plan will be required	<input type="checkbox"/>	<input type="checkbox"/>
Will the investment project involve the construction of small mini hybrids?	<input type="checkbox"/>	<input type="checkbox"/>
Will the Project:	Yes	No
Adversely affect natural habitats nearby, including forests, rivers or wetlands?	<input type="checkbox"/>	<input type="checkbox"/>
Require large volumes of construction materials (e.g. gravel, stone, water, timber, firewood)?	<input type="checkbox"/>	<input type="checkbox"/>
Use water during or after construction, which will reduce the local availability of groundwater and surface water?	<input type="checkbox"/>	<input type="checkbox"/>
Affect the quantity or quality of surface waters (e.g. rivers, streams, wetlands), or groundwater (e.g. wells, reservoirs)?	<input type="checkbox"/>	<input type="checkbox"/>

Be located within or nearby environmentally sensitive areas (e.g. intact natural forests, mangroves, wetlands) or threatened species?	<input type="checkbox"/>	<input type="checkbox"/>
Lead to soil degradation, soil erosion in the area?	<input type="checkbox"/>	<input type="checkbox"/>
Create waste that could adversely affect local soils, vegetation, rivers and streams or groundwater	<input type="checkbox"/>	<input type="checkbox"/>
Create pools of water that provide breeding grounds for disease vectors (for example malaria or bilharzia)?	<input type="checkbox"/>	<input type="checkbox"/>
Involve significant excavations, demolition, and movement of earth, flooding, or other environmental changes?	<input type="checkbox"/>	<input type="checkbox"/>
Affect historically-important or culturally-important site nearby?	<input type="checkbox"/>	<input type="checkbox"/>
Require land for its development, and therefore displace individuals, families or businesses from land that is currently occupied, or restrict people's access to crops, pasture, fisheries, forests or cultural resources, whether on a permanent or temporary basis?	<input type="checkbox"/>	<input type="checkbox"/>
Result in human health or safety risks during construction or later?	<input type="checkbox"/>	<input type="checkbox"/>
Involve inward migration of people from outside the area for employment or other purposes?	<input type="checkbox"/>	<input type="checkbox"/>
Will the Project:	Yes	No
Result in conflict or disputes among communities?	<input type="checkbox"/>	<input type="checkbox"/>
Affect indigenous people, or be located in an area occupied by indigenous people?	<input type="checkbox"/>	<input type="checkbox"/>
Be located in or near an area where there is an important historical, archaeological or cultural heritage site?	<input type="checkbox"/>	<input type="checkbox"/>
Result in a significant change/loss in livelihood of individuals?	<input type="checkbox"/>	<input type="checkbox"/>
Adversely affect the livelihoods and /or the rights of women?	<input type="checkbox"/>	<input type="checkbox"/>

If you have answered Yes to any of the above, please describe the measures that the project will take to avoid or mitigate environmental and social impacts

[type here]

What measures will the project take to ensure that it is technically and financially

- Consultations with stakeholders
- Impact prediction and interpretation
- Identification of mitigation measures
- Development of an environmental management plan complete with budget and identification of responsibilities
- Finalization of project report;

The ESIA report should be prepared in accordance with Terms of reference issued by RDB and will be conducted by a certified EIA expert.

ANNEX 6: Resettlement Screening Form and TOR for RAP/ARAP

Resettlement screening form

Sub-project name	(e.g. District, Sector, Cell etc)
Subproject Location include map/sketch	(e.g. new construction, rehabilitation, periodic maintenance)
Type of activity	
Estimated Cost (Rwandan Francs)	
Proposed date of Commencement of Work	
Technical Drawing/ Specifications Renewed (circle answer)	Yes No

This report is to be kept short and concise.

Checklist questions:

Physical data	Yes/No answers and bullet lists preferred except where descriptive detail is essential.
Site area in ha	
Extension of or changes to existing alignment	
Any existing property to transfer to sub-project	
Any plans for new construction	

Refer to project feasibility study for this information.

	Not known	Yes	No	Remarks (details of number of PAPs, extent of land, use, etc)
1. Does the project involve any land acquisition?				
2. Will there be loss of homestead / housing?				
3. Will there be loss of crops, trees, wells, other assets?				
4. Will be loss of income and livelihoods?				
5. Will access to services, amenities, or resources be lost?				
6. Will be loss of business or enterprise?				
7. Will there be any social or economic activity be affected by land use related change?				

8. Will the land be acquired through negotiations (willing buyer willing seller principle) without invoking land acquisition laws?				
9. Does the project involve transfer/alienation of government land?				
10. Will the project restrict use of adjoining land?				
11. How many people are likely to be affected?				
12. Is the land required for the project been identified and the survey numbers are known?				
13. What is the ownership status of land?				
14. Is there any private land to be affected? What is the present use of land?				
15. Are there any encroachments/squatting in the government land / project area?				
16. Is there likely to be any impact to agricultural tenants, share croppers?				

Based on the answers, refer to the REF Resettlement Policy Framework to Know whether the RAP or A-RAP is required. When the impacts on the entire displaced population are minor (i.e. if affected people are not physically displaced and less than 10% of their productive assets are lost) or fewer than 200 people are displaced (economically or physically) for the entire project, and then the preparation of an Abbreviated Resettlement Plan (ARAP).

Sample Terms of Reference for Consultants preparing RAP/ARAP

Background

[Insert description of project and why resettlement is needed]

Objectives

A Consultant will prepare the Resettlement Action Plan (RAP) on the basis of the most recent and accurate information on the: (i) proposed resettlement and its impacts on displaced persons and other adversely affected groups; and (ii) legal issues affecting resettlement. The RAP covers elements that are specific to the project context.

The objectives of the Consultant assignment are to:

- Prepare the RAP that is consistent in policy and context to the laws, regulations, and procedures adopted by the Government of country X and the World Bank’s operational policy on involuntary resettlement (OP4.12) covering displacement, resettlement, and livelihood restoration;
- Conduct consultations with identified project affected persons (PAPs), based on a census of the affected sites;

- Establish local decision making bodies who will be part of RAP implementation of valuation and compensation approaches;
- Develop in a participatory manner the proposed grievance mechanism to be covered in the RAP; and
- Complete a baseline socio-economic survey of PAPs and host communities.

Scope of Work

The following sections of the RAP correspond to the scope of work to be completed by the Consultant.

Description of the project: General description of the affected areas.

Potential Impacts: Identification of the: (i) components or activities that require resettlement or restriction of access; (ii) zone of impact of components or activities; (iii) alternatives considered to avoid or minimize resettlement or restricted access; and (iv) mechanisms established to minimize resettlement, displacement, and restricted access, to the extent possible, during project implementation.

Objectives: The main objectives of the resettlement program as these apply to the [name of project] should be described in relation to the project.

Socio-economic studies: The findings of socio-economic studies to be conducted with the involvement of potentially affected people will be needed. These generally include the results of a census of the PAPs covering:

- (i) Current occupants of the affected area as a basis for design of the RAP and to clearly set a cut-off date, the purpose of which is to exclude subsequent inflows of people from eligibility for compensation and resettlement assistance;
- (ii) Standard characteristics of displaced households, including a description of production systems, labor, and household organization; and baseline information on livelihoods (including, as relevant, production levels and income derived from both formal and informal economic activities) and standards of living (including health status) of the displaced population;
- (iii) Magnitude of the expected loss, total or partial, of assets, and the extent of displacement, physical or economic;
- (iv) Information on vulnerable groups or persons, for whom special provisions may have to be made; and;
- (v) Provisions to update information on the displaced people's livelihoods and standards of living at regular intervals so that the latest information is available at the time of their displacement, and to measure impacts (or changes) in their livelihood and living conditions.

There may be other studies that the RAP can draw upon, such as those describing the following, as needed:

- (i) Land tenure, property, and transfer systems, including an inventory of common property natural resources from which people derive their livelihoods and sustenance, non-title-based usufruct systems (including fishing, grazing, or use of forest areas) governed by local

recognized land allocation mechanisms, and any issues raised by different tenure systems in the sub project area;

- (ii) Patterns of social interaction in the affected communities, including social support systems, and how they will be affected by the sub-project;
- (iii) Public infrastructure and social services that will be affected; and
- (iv) Social and cultural characteristics of displaced communities, and their host communities, including a description of formal and informal institutions. These may cover, for example, community organizations; cultural, social or ritual groups; and non-governmental organizations (NGOs) that may be relevant to the consultation strategy and to designing and implementing the resettlement activities.

Legal Framework: The analysis of the legal and institutional framework in country X should cover the following:

- (i) Scope of existing land and property laws governing resources, including state-owned lands under eminent domain and the nature of compensation associated with valuation methodologies; land market; mode and timing of payments, etc;
- (ii) Applicable legal and administrative procedures, including a description of the grievance procedures and remedies available to PAPs in the judicial process and the execution of these procedures, including any available alternative dispute resolution mechanisms that may be relevant to implementation of the RAP for the sub-project;
- (iii) Relevant laws (including customary and traditional law) governing land tenure, valuation of assets and losses, compensation, and natural resource usage rights, customary personal law; communal laws, etc related to displacement and resettlement, and environmental laws and social welfare legislation;
- (iv) Laws and regulations relating to the agencies responsible for implementing resettlement activities in the sub-projects;
- (v) Gaps, if any, between local laws covering resettlement and the Bank's resettlement policy, and the mechanisms for addressing such gaps; and
- (vi) Legal steps necessary to ensure the effective implementation of RAP activities in the sub-projects, including, as appropriate, a process for recognizing claims to legal rights to land, including claims that derive from customary and traditional usage, etc and which are specific to the sub-projects.

The institutional framework governing RAP implementation generally covers:

- (i) Agencies and offices responsible for resettlement activities and civil society groups like NGOs that may have a role in RAP implementation;
- (ii) Institutional capacities of these agencies, offices, and civil society groups in carrying out RAP implementation, monitoring, and evaluation; and
- (iii) Activities for enhancing the institutional capacities of agencies, offices, and civil society groups, especially in the consultation and monitoring processes.

Eligibility and entitlements: Definition of displaced persons or PAPS and criteria for determining their eligibility for compensation and other resettlement assistance, including relevant cut-off dates.

Valuation of and compensation for losses: The methodology to be used for valuing losses, or damages, for the purpose of determining their replacement costs; and a description of the proposed types and levels of compensation consistent with national and local laws and measures, as necessary, to ensure that these are based on acceptable values (e.g. market rates).

Resettlement Measures: A description of the compensation and other resettlement measures that will assist each category of eligible PAPs to achieve the resettlement objectives. Aside from compensation, these measures should include programs for livelihood restoration, grievance mechanisms, consultations, and disclosure of information.

Site selection, site preparation, and relocation: If a resettlement site is an option, describe the alternative relocation sites as follows:

- (i) Institutional and technical arrangements for identifying and preparing relocation sites, whether rural or urban, for which a combination of productive potential, locational advantages, and other factors is at least comparable to the advantages of the old sites, with an estimate of the time needed to acquire and transfer land and ancillary resources;
- (ii) Any measures necessary to prevent land speculation or influx of eligible persons at the selected sites;
- (iii) Procedures for physical relocation under the project, including timetables for site preparation and transfer; and
- (iv) Legal arrangements for recognizing (or regularizing) tenure and transferring titles to resettlers.

Community Participation: Consistent with the World Bank's policy on consultation and disclosure, a strategy for consultation with, and participation of, PAPs and host communities, should include:

- (i) Description of the strategy for consultation with and participation of PAPs and hosts in the design and implementation of resettlement activities;
- (ii) Summary of the consultations and how PAPs' views were taken into account in preparing the resettlement plan; and
- (iii) Review of resettlement alternatives presented and the choices made by PAPs regarding options available to them, including choices related to forms of compensation and resettlement assistance, to relocating as individual families or as parts of pre-existing communities or kinship groups, to sustaining existing patterns of group organization, and to retaining access to cultural property (e.g. places of worship, pilgrimage centers, cemeteries); and
- (iv) Arrangements on how PAPs can communicate their concerns to project authorities throughout planning and implementation, and measures to ensure that vulnerable groups (including indigenous peoples, ethnic minorities, landless, children and youth, and women) are adequately represented.

The consultations should cover measures to mitigate the impact of resettlement on any host communities, including:

- (i) Consultations with host communities and local governments;
- (ii) Arrangements for prompt tendering of any payment due the hosts for land or other assets provided to PAPs;

- (iii) Conflict resolution involving PAPs and host communities; and
- (iv) Additional services (e.g. education, water, health, and production services) in host communities to make them at least comparable to services available to PAPs.

Grievance procedures: The RAP should provide mechanisms for ensuring that an affordable and accessible procedure is in place for third-party settlement of disputes arising from resettlement. These mechanisms should take into account the availability of judicial and legal services, as well as community and traditional dispute settlement mechanisms.

RAP implementation responsibilities: The RAP should be clear about the implementation responsibilities of various agencies, offices, and local representatives. These responsibilities should cover (i) delivery of RAP compensation and rehabilitation measures and provision of services; (ii) appropriate coordination between agencies and jurisdictions involved in RAP implementation; and (iii) measures (including technical assistance) needed to strengthen the implementing agencies' capacities of responsibility for managing facilities and services provided under the project and for transferring to PAPs some responsibilities related to RAP components (e.g. community-based livelihood restoration; participatory monitoring; etc).

Implementation Schedule: An implementation schedule covering all RAP activities from preparation, implementation, and monitoring and evaluation should be included. These should identify the target dates for delivery of benefits to resettlers and hosts and a clearly defined closing date. The schedule should indicate how the RAP activities are linked to the implementation of the overall project.

Costs and budget: The RAP for the specific sub-projects should provide detailed (itemized) cost estimates for all RAP activities, including allowances for inflation, population growth, and other contingencies; timetable for expenditures; sources of funds; and arrangements for timely flow of funds. These should include other fiduciary arrangements consistent with the rest of the project governing financial management and procurement.

Monitoring and evaluation: Arrangements for monitoring of RAP activities by the implementing agency, and the independent monitoring of these activities, should be included in the RAP section on monitoring and evaluation. The final evaluation should be done by an independent monitor or agency to measure RAP outcomes and impacts on PAPs' livelihood and living conditions. The World Bank has examples of performance monitoring indicators to measure inputs, outputs, and outcomes for RAP activities; involvement of PAPS in the monitoring process; evaluation of the impact of RAP activities over a reasonable period after resettlement and compensation, and using the results of RAP impact monitoring to guide subsequent implementation.