



Development Bank of Rwanda

Renewable Energy Fund Project

OSCs Operations Manual

The World Bank/ Development Bank of Rwanda

11/26/2019

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
OSC	Off-grid Solar Company
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
SHS	Solar Home System
SLA	Service Level Agreement
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\$ 27.5 million - SREP/World Bank
Grant amount and financing Source	US\$ 21.44 million – SREP/World Bank
Borrower	Government of Rwanda (GoR)
Implementing Agency	Development Bank of Rwanda (BRD)
Service Charge: World Bank to GoR	0.1% p.a. on Loan Amount (US\$ 27.5 million)
Interest Rate: GoR to BRD	Based on Subsidiary Financing Agreement
Interest Rate: BRD to OSCs	Based on Sub-Loan Agreement
Maturity: World Bank to GoR	40 Years including 10 years' grace period
Maturity: GoR to BRD	Based on Subsidiary Financing Agreement
Maturity: BRD to OSCs	Up to 42 months with up to 6 months' grace period
Repayment: GoR to World Bank	Based on Financing Agreement
Repayment: OSCs to BRD	Based on Sub-Loan Agreement
Exchange Risk	GoR will bear all foreign exchange risk
Compliance with BNR Prudential Regulations	All participating SACCOs and Banks will have to comply with BNR regulations.
Consumer Education & Protection	MININFRA in partnership with BRD, PFIs and OSCs will educate consumers and promote the REF Project.

Operations Manual

The "**Operations Manual**" (OM) presented here is designed specifically for use by Development Bank of Rwanda (BRD), Participating Financial Intermediaries (PFIs)¹, locally-registered Off-grid Solar Companies (OSCs), and Mini-Grid Developers (MGDs). The purpose of the OM is to define the processes needed for effective implementation of the Renewable Energy Fund (REF) project².

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 on-lends the funds to the BRD, which administers the facility. BRD is the Project Implementing Entity (PIE) and which functions as a wholesale institution for PFIs as well as lend directly to MGDs and locally registered OSCs.

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 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 and potentially locally-registered off-grid solar companies), 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 term "PFI" refers to the participating commercial and development banks, Saving and Credit Cooperative Societies (SACCOs), Microfinance Institutions (MFIs) and other financial intermediately organizations.

² The OM can be adjusted, if and when necessary, to reflect actual needs and experience in REF implementation. The request could be made by BRD, the World Bank or a group of participants – who should discuss and approve it.

II. Project Components

The project is structured in 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) - has set up and operationalizes a Renewable Energy Fund (REF), a local-currency line of credit and direct financing facility that helps address access to finance and affordability constraints to accelerate growth of the off-grid electrification market in Rwanda. The REF provides lines of credit to eligible local financial institutions for sub-loans to households and micro, small and medium enterprises, as well as direct loans to private companies engaged in off-grid electrification (mini-grid developers and potentially locally-registered off-grid solar companies) on ‘first-come-first-serve basis’. The REF uses existing country systems to facilitate access to finance for households and businesses, improve affordability of solar electricity services, and maximize geographic coverage. The REF provides access to local-currency financing through four financing windows. This allows the facilitation of off-grid market development through mobilization of all the key market enablers at the same time: SACCOs, banks (commercial and microfinance), and private companies (mini-grid developers and potentially locally-registered off-grid solar companies).

- a. *Window 1 – On-lending through SACCOs to households and micro-enterprises:* The window provides 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 enterprises³ for purchasing qualified solar systems of Tier 1 and above access level.
- b. *Window 2 – On-lending through banks (commercial and microfinance) to households and small and medium enterprises (SMEs):* This window provides a wholesale line of credit to BRD for on-lending to eligible commercial and microfinance banks, which 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 provides direct financing to eligible mini-grid developers to finance up to 70 percent of construction of renewable-energy based mini-grid systems. The REF may provide ‘bridge loan’ financing until grant funding from existing RBF programs becomes available, as well as long-term financing beyond commissioning. REF loans are 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.
- d. *Window 4 – Direct financing of locally-registered off-grid solar companies supporting Tier 1 and above solar systems:* This window provides direct financing to eligible, locally-registered off-grid solar companies offering qualified Tier 1 and above solar-home systems and ongoing maintenance services to its clients through delayed payment options, including for sales that benefit from

³ 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*

other government programs such as results-based financing. Eligible companies will have to leverage REF financing no less than 7:3—i.e., REF can finance no more than US\$ 7 for each US\$ 3 invested by the borrower from other sources including equity, to be determined on a case-by case basis—with a view to achieve a average leverage ratio of 2:1 or higher.

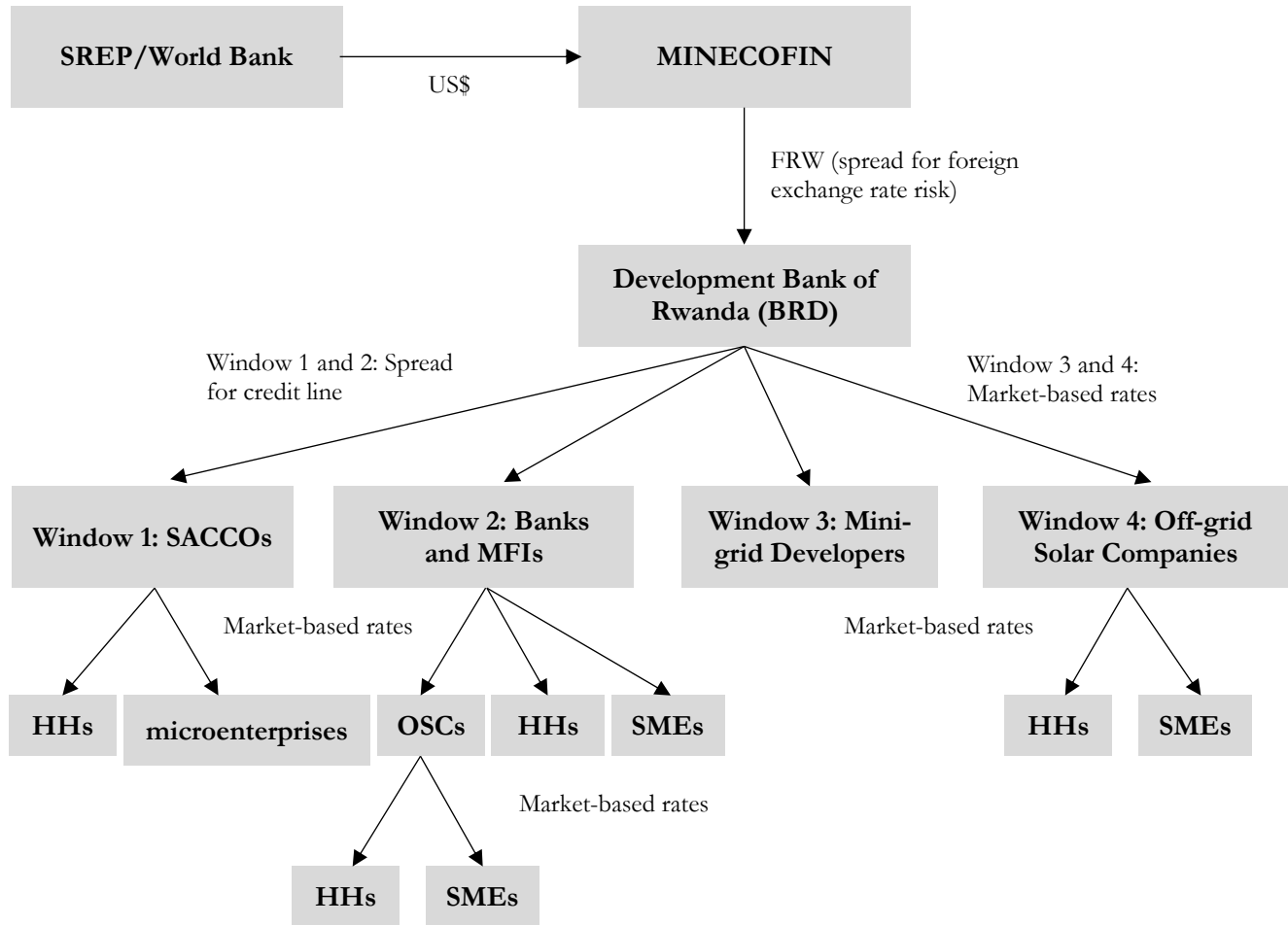
Qualified solar systems. All supported systems are required to meet the Lighting Global Quality Standards or equivalent national quality standards, if those are acceptable to the World Bank, subject to regular independent verifications to ensure alignment with International Electrotechnical Commission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

Component Two - Technical assistance, capacity building and project implementation support (US\$ 3.00 million SREP funds) - provides necessary technical assistance and capacity building to BRD and participating entities (SACCOs, banks, and private companies engaged in off-grid electrification), as well as provide project implementation support to BRD as host of the REF. Technical assistance and capacity building include, among others: (i) capacity building and awareness workshops for SACCOs, banks, and private companies engaged in off-grid electrification to facilitate partnerships between SACCOs, banks, and the private sector; (ii) technical assistance and capacity building for participating SACCOs and banks to ensure their successful partnerships with the private sector; (iii) capacity building of participating SACCOs and banks to manage energy credit lines (including management, operational, and monitoring and evaluation capacities); (iv) capacity building of the Energy Department of BRD to manage direct energy lending; (v) technical assistance to BRD to develop pipeline of mini-grids projects; and (vi) technical assistance and capacity building for BRD and participating entities on quality assurance and enforcement of technical standards for off-grid solar systems; and (vii) public awareness campaigns to educate consumers on the benefits and opportunities of off-grid electrification.

Technical assistance activities will also cover gender aspects, including (i) monitoring Window 1 and Window 2 for the appearance of gender gaps in access to financial services for male and female applicants and enterprises for purchase and retailing of off-grid technologies to enhance development outcomes and economic opportunities; (ii) identification of data sources and information to further understand the issues and barriers to financial services for off-grid technologies by gender, income level (with a focus on low-income households), rural or urban location, household headship, and other social dimensions; and (c) implementation of approaches and methods that off-grid market enablers (for example, BRD, SACCOs, and banks) could adopt and integrate to close gender gaps (for example, gender-sensitivity training for credit officers) related to access to financial services for the purchase of energy technologies in household or enterprise activities.

Project implementation support includes, among others, (i) establishment of the Project Implementation Unit (PIU) and provision of operational support to the PIU in the areas of project management, supervision, and monitoring; (ii) outreach to off-grid market enablers and final project beneficiaries; (iii) knowledge-sharing events between participating project entities; (iv) sector-wide knowledge sharing and project results dissemination workshops; (v) preparation of required studies related to the project, including impact assessment and annual citizen/consumer feedback analysis through focus group discussions to better understand the market; (vi) preparation of consolidated annual project audits; and (vii) financing of incremental operating costs.

Figure 1: Project Design and Flow of Funds



III. Financing Arrangements

a. World Bank to MINECOFIN and BRD

The World Bank provided US\$ 48.94 million SREP funds denominated in US\$ to MINECOFIN. MINECOFIN as the borrower and takes the currency risk and on-lend funds in local currency (Rwandan Francs - FRW) to BRD. BRD provides access to funding through four on-lending windows. The financing arrangement is governed by the following formal agreements: (i) **Financing Agreement between World Bank and MINECOFIN**, and (ii) **Subsidiary Agreement between MINECOFIN and BRD**.

Off-Grid Solar Company Qualification and Eligibility Criteria

OSCs combine the supply and financing of solar equipment in a single entity. As such they must deliver on both credit quality and equipment performance to ensure access targets are met and loan repayments made both from end users to them, and from them to BRD. They must be able to fund, appraise and manage a portfolio of credit sales at the same time as sourcing, delivering and maintaining solar equipment that will perform for the full period of any financing and ideally beyond.

Access to participation shall be open to all interested OSCs which are able to satisfy the eligibility criteria. OSCs that are to be considered for participation are required to:

- Allow the qualified BRD's representatives on a need-to-know basis access to privileged and confidential information necessary to appraise whether the OSC meets and/or continues to meet the agreed qualification criteria;
- Agree to undertake annual external financial 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 credit sales team, management group and credit risk committee or equivalent, and to join any available Project-related training.
- Agree to provide final beneficiary level credit sales, repayment and installation information i.e. name of final borrower, national identification card number, system cost, type of solar equipment or capacity, loan amount, interest rate, loan tenure, outstanding loan, number of household members, number of female members in the house and number of children (below 16 years) benefited

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

a. Role of Solar Companies

OSCs will use funds to purchase qualified solar equipment which will then be provided to households and SMEs based on a credit agreement such as PAYG or other delayed payment mechanisms. OSCs will be free to select final beneficiaries on which they are willing to take the credit risk without any interference. Noting that OSCs use the ability to switch on and off equipment, as well as price and deposits to manage credit risk, and that their credit process is more screening and scoring than credit application underwriting, each OSC shall maintain, with terms of reference satisfactory to BRD and the World Bank:

- **Technology and Service Support unit** responsible for the procurement, demand collection, installation [where relevant], after-sale-service and support of quality approved solar equipment throughout the whole term of any credit provided
- **Technically trained staff** responsible for credit sales of solar-systems. Such teams selling solar equipment on credit will be staffed with trained personnel in adequate numbers and provide, promptly as needed, credit and other services and other resources required for effective Project implementation.
- **Credit Committee or equivalent responsible committee** for evaluation and approval of loan application process for solar-based systems.
- **Adequate policies and procedures** to enable it to appraise and manage the credit risk, stimulate the demand, and to monitor and evaluate, including remote monitoring and control of such equipment in accordance with indicators acceptable to BRD and the World Bank, the progress in Project implementation and the achievement of Project objectives.

Specific OSCs responsibilities include:

- Development and application of appropriate credit screening to be fully integrated into their sales processes;
- Customer support, after-sales-service in compliance with warranty and guarantee terms
- Collections incorporating use of remote switch off and equipment recovery according to published terms and conditions
- Portfolio monitoring and the adjustment of credit screening parameters, pricing and deposit levels;
- Approval of credit terms, exceptional credit requests and collections actions by the OSC Credit Committee or equivalent;
- Signing of appropriate credit agreements with household and micro-enterprise clients as well as Sub-Loan Agreement with BRD;
- Ensuring that deliveries to clients are made in a timely manner against appropriate documents (to evidence the use of funds);
- Ensuring that the OSC's borrowers follow environmental practices in line with the Environmental Code of Practice both during the approval process and during implementation;
- Enable BRD and the World Bank to inspect the Sub-projects, as needed, as well as any relevant records and documents;
- Ensure that payments of interest and principal are timely made. On due-dates of interest and principal, the OSC shall also provide to BRD a written report on OSC credit portfolio performance, deviation of payments from agreed terms, and an updated credit history of the final beneficiaries;
- Provide monthly report to the BRD which should include the name of final borrower, national identification card number, system cost, type of solar equipment or capacity, total system cost, credit amount, interest rate (if not embedded on the credit amount), credit sales tenure, outstanding credit amount, number of household members, number of female members in the house and number of children (below 16 years) benefited.
- Prepare all Project implementation reports specified in the OM on time and with good quality information. Submit to BRD and World Bank on agreed reporting dates;
- Keep all necessary records and payment evidence, as required in legal documents and the OM;
- At BRD and/or World Bank's request, have the project-related financial statements audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards, and promptly furnish the externally audited project related statements to BRD and the World Bank;
- Submit annual external audits of OSC financial statements (prepared by reputable external auditors and executed according to international auditing standards) to BRD no later than six months after the end of each financial year. BRD shall submit the external audits to the World Bank no later than seven days after it has received the external audits from an OSC.

Prepare and furnish to BRD and the World Bank all information as BRD or the World Bank shall reasonably request relating to Project implementation

a. OSC's Eligibility Criteria

Once pre-qualified, off-grid solar companies will be expected to meet the eligibility criteria at all times. Compliance will be monitored and reviewed annually

- **Licensed with adequate ownership structure** – companies should be duly licensed for at least 18 months in Rwanda and demonstrate sufficient competence, capability, capacity, and/or experience as determined by BRD and in full compliance with relevant national regulations pertaining to tax, legal, and accounting norms.;
- **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;
- **Financially viable and creditworthy** – in a sound financial condition. Financial viability of a company will be determined based on its financial history, funding and its business plan, which should provide current and projected financial positions;⁴
- **Adequate funding** – a defined funding strategy with no obvious gaps or constraints on additional funding. The funding strategy should include plan for at least 18 months of providing financing/delayed payments to local end-users for off-grid solar products in Rwanda;
- **Quality of operations** – at least 18 months of operations at the functional level, including organization, management, staff⁵ and financial and other sources required for the efficient carrying out of its operations;
- **Adequate collateral/warranty** – provide adequate collateral or bank guarantees acceptable to the BRD covering 100% of the BRD financing . The collateral or bank guarantee should satisfy BRD requirements;
- **Quality products** – selling Lighting Global quality, or equivalent national quality standards, if those are acceptable to the World Bank, - verified solar products up to 100Wp and/or solar home systems meeting relevant IEC standards between 100-200Wp with a list price no more than US\$ 1,000, and in compliance with Rwanda's applicable regulations and policies ⁶;
- **Warranty and after-sales service** – must have an established and active after-sales service capability covering the whole of the duration of the term of the credit product offered to the end user. The warranty/guarantee period shall be in compliance with the applicable country regulations and policies. Additionally, evidenced by an active customer service activity with metrics and staff to support service and returns and clear knowledge of the current and historic issues faced in customer service and the level of returns will be required. Equipment malfunctions covered by warranty/guarantee should be addressed within a maximum of 2 weeks from notification by the end user;
- **Collections and portfolio management** – metrics and procedures to track portfolio quality and adequate collection practices;

⁴ The financial position should show that the enterprise is profitable, with *adequate profit margins* or has a sound plan for achieving profitability in a time frame. The projected financial position should show that the enterprise will maintain its profitability and adequate liquidity once the BRD financing is extended, and that its leverage will remain reasonable.

⁵ Commitment/capacity to deploy appropriate staff at the local level.

⁶ Or superseding regulations.

- **Adequate accounting systems and management information and well-organized IT support** – providing good accounting, bookkeeping, management reports, and adequate system-software support covering its delayed payments services;
- **Insurance policy** – must have a comprehensive insurance policy covering important assets i.e. stock, building, freight, and other fixed assets against all types of risks;
- **Recycling** – must have a policy and a plan for the recycling of system components at end of life, particularly batteries, in compliance with the Environmental Code of Practice and other applicable national policies and regulations.

b. Ongoing OSC Financial Performance Criteria

Each participating OSC will be required to demonstrate ongoing compliance with the following financial performance indicators throughout its participation in the project. During supervision, the World Bank team jointly with BRD will closely monitor the performance and on-lending through the banks

	Limits
Capital	Positive Net Worth
Cash on hand or credit limit	Sufficient to cover [6] months of submitted business plan

c. Appraisal of Off-Grid Solar Company Eligibility – Information Needed

Before the eligibility appraisal starts, the OSC 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, as applicable;
- 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, as applicable;
- Description of its products, distribution and customer support;
- Description of its funding status and business plan.

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

- A copy of the OSCs relevant certificates and licenses for operation in Rwanda;
- A five-year business plan with focus on off-grid market, year-wise targets of new connections, products features and price, warranty and guarantee, projected financials (balance sheet, income statement, cash flow statement), sales and marketing strategies, business management and operation plan, organizational structure, CV of board and senior management team, potential challenges and mitigation measures, the experience in off-grid solar sector, status of the past projects implemented in partnership with Development Partners (DPs) and government, awards and recognitions, structure of existing board and management etc.
- Names of its significant owners holding more than 10% of shares. Summary information for each significant owner including connected parties – individuals or other companies;

- Organizational chart and governance structure. Names of and brief CVs of key senior managers;
- Risk management related committees and bodies;
- Copy of policies, procedures and Operations Manuals related to credit sales and portfolio management;
- Plan for dealing with substandard and doubtful loan clients such as remote monitoring, switch off, repossession etc.;
- If available, internal audit manual, audit schedules and samples of internal audit reports or equivalent. Examples of follow-up to recommendations from internal audit reports and from external auditors. Examples of reporting to senior management;
- Organizational chart for the IT and data processing function. Summary list for IT hardware, database and application software and communication equipment.

d. Solar Company Eligibility Review Process

The eligibility review will be executed by the BRD. This shall include interviews with senior management of the solar company and review of its financial condition and policies and procedures relevant for credit sales and portfolio management and Project implementation. More specifically, it shall include:

- Interviews with senior management regarding the company's organization, business strategy, PAYGO model, ownership and governance structure;
- Interviews with senior management on the technical customer service structure;
- Interviews with senior management on the company's financial condition and profitability, 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, as applicable;
- Interviews with senior management on credit sale policies, procedures and practices. Discussion on details of credit risk assessment and management, deposit calculations, portfolio classification and provisioning, collections, remote monitoring of equipment and repossession;
- Interviews with senior management on internal controls and internal audit function. Review of IT systems and management reporting capacity.

Eligibility review findings shall be discussed with the World Bank and with the OSC's senior management. If the OSC is able to meet all eligibility criteria, it will be cleared to participate in the Project. The OSC 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 with 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, an OSC 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 OSC in the project. Once signed, it will allow eligible OSCs access to finance on specified terms for eligible final borrowers.

e. Implementation Requirements

An eligible OSC 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 credit management practices and in conformity with sound credit policies and procedures referred to in the OM and applicable BRD procedures. The OSCs shall:

- Make credit sales to eligible households and SMEs on 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 agreements providing for credit, or any provision thereof, without prior approval of BRD;
- Exercise its rights in relation to each such credit 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.

f. Suspension

If an OSC 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 an OSC is found to breach the established eligibility rules for clients and projects, further disbursements and access to new funding will be suspended until the OSC has fully refunded the sub-financing related to breaches;
- If an OSC 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 OSC 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 OSC 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 OSC 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 Bank-funded credit portfolio will be moved to BRD or another OSC which continues to meet the criteria. Such an OSC will be selected on a competitive basis. The insolvent OSC will be suspended;
- In cases when it has been established beyond reasonable doubt that the OSC's owners or managers are not "fit and proper", the OSC will be given a deadline to remove such owners or managers and appoint ones that are "fit and proper", or else the Bank-funded credit portfolio will be moved to BRD or another OSC which continues to meet the criteria. Such OSC 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 OSC'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. The decision on removing the suspension shall be made by BRD in agreement with the World Bank.

Off-Grid Solar Company Credit Sales Terms and Conditions

The OSC credit sales to final borrowers will be extended under the following criteria:

- The credit sales will finance purchase of solar-based systems of Tier 1 and above access level by households and micro-enterprises;
- The credit sales will be denominated in Rwandan Franc (FRW). The credit sale interest charges as well as all applicable fees will be denominated in FRW;
- Maturities of credit sales would be up to 36 months for credit sales to households and up to 60 months including up to 6 months grace period for micro-enterprises and SMEs;
- There would be no credit sale prepayment penalties.

a. OSC Sub-Loan Limits

- For OSCs, the loan amount will be up to US\$ 5,000,000 equivalent, extended for up to 42 months, with up to 6 months of grace period;
- Once the approved loan amount has been utilized, the OSC may apply for an additional amount of Sub-financing;
- Under the model, the maximum credit sale amount to each household and micro-enterprise is US\$ 1,000 and to SMEs is US\$ 25,000;
- Successful OSCs, which use the facility effectively, will be able to receive a higher drawdown amount and a higher maximum amount if approved by BRD and the World Bank;
- The maximum financing amount available for one OSC will be agreed between BRD and the World Bank.

b. Credit Risk Aspects

OSCs will assume full credit risk for all credit sales to households and micro-enterprises.

c. Interest Rates

- BRD will on-lend funds to OSCs at rates that take into account BRD's cost of funds, operating costs and an appropriate credit risk margin. The on-lending margin shall in any case be no higher than 3.5% p.a.;
- The OSCs will be able to freely set their interest rates on market terms. Interest rates are expected to cover at least the OSCs cost of funding, operational costs, distribution, after sales service and support and an appropriate credit risk premium based on the credit assessment of the final borrower;
-
- Interest and principal repayments on sub-loans for micro-enterprises and SMEs would be due monthly after the expiry of grace period. The interest amount during grace period would be due each month or be capitalized.
- The interest rate arrangements and the spread will be reviewed by BRD in agreement with the World Bank from time to time, and may be adjusted to reflect the risks and the applicable market terms;

XIII. Subsidiary Financing

- The principal amount advanced to a PFI under its respective Subsidiary Financing Agreement shall be denominated in FRW, as well as all applicable fees and interest charges. It will be the equivalent to the aggregate amount of sub-loan extended to the Beneficiaries;
- The Subsidiary Lending Agreements will specify an on-lending margin adequately commensurate to the BRD's costs of these funds, enabling it to carry out its administrative and other obligations under the Project, which shall in any case be no higher than 3.5% p/a.;
- Interest and principal repayments for PFI Subsidiary financing would be due monthly, quarterly, or semiannually.

a. On-Lending Arrangements for Subsidiary Financing

Subsidiary financing for the PFI, OSC and MGD sub-loans will be extended on a first-come, first-served basis. The eligible PFIs, OSCs and MGDs have no obligations to ask for Subsidiary financing. Subsidiary financing will be extended only when the eligible PFI, OSC or MGD submits a Financing Request to BRD. The Subsidiary Financing Request format for banks and SACCOs is provided in Annex 11. Once the approved amount of Subsidiary financing has been utilized, the PFI, OSC or MGD can ask for additional financing. The maximum financing amount available will be agreed between BRD and the World Bank. A PFI, OSC or MGD may request that its maximum financing amount be increased. PFIs, OSCs and MGDs must comply with the applicable eligibility criteria during their participation in the REF project.

For SACCOs and banks, financing of smaller sub-loans or credits, the available subsidiary financing will be used based on a drawdown mechanism. Once PFIs become eligible and apply for financing, they will receive a drawdown facility of the approved amount with an agreed maturity (e.g. three years) which they can use to finance sub-loans or credits to final beneficiaries complying with the agreed eligibility requirements. Loans to final beneficiaries will be provided by PFIs from the drawdown facility up to the amount and maturity approved. The decision on whether to extend a loan or credit to final beneficiaries will be left to the PFIs.

Sub-financing for larger loans requiring prior review will be provided back-to-back to the PFI loans to Final Beneficiaries with the identical amounts, maturity and grace period.

The repayments will be collected in a revolving fund and will be used to provide funding for new PFI sub-loans. The terms and conditions under the revolving fund will be agreed between MINECOFIN and BRD.

b. On-Lending Arrangements for Drawdown PFI Sub-Loans

Drawdown PFI Sub-Loans. The PFI sub-loans in the drawdown category will not require prior review and approval of the BRD Credit Committee. For the drawdown PFI Sub-Loans, the approval process will have the following procedure:

- An application is made by a beneficiary to its PFI for a PFI sub-loan for solar-based systems;
- The PFI will appraise the eligibility and creditworthiness of the beneficiary;
- If the PFI is satisfied, that the beneficiary is creditworthy, and that all applicable eligibility criteria are met, the PFI shall submit the Sub-Loan for approval before the PFI Credit Committee, following its own applicable credit risk appraisal and management procedures;

- If the PFI Credit Committee approves the Sub-Loan, the PFI will sign the loan agreement with the beneficiary.

The PFI will collect and keep full documentation for the drawdown loans that it has approved. It will submit to BRD full details on how the tranche has been used (e.g., name of final borrower, national identification card number, system cost, type of solar equipment or capacity, loan amount, interest rate, loan tenure, outstanding loan, number of household members, number of female members in the house and number of children (below 16 years) benefited) at the point when the PFI makes an application for an additional tranche. BRD may ask to review the documentation and details on the PFI drawdown loans at any time, including all required documentation specified in this OM and BRD Credit Policies.

c. On-Lending Arrangements for Free-Limit PFI Sub-Loans

Free Limit PFI Sub-Loans. The PFI sub-loans under the free limit will not require prior review and approval of the BRD Credit Committee. A free limit will be established for experienced PFIs which have successfully passed the first two prior reviews by the World Bank and by the BRD Credit Committee. The free limit will be set by BRD for each PFI, as agreed with the World Bank. Free limits may be different, depending on the experience of individual PFIs and the type of lending product (i.e., retail loans or SME loans). Free limits may be changed in agreement with the World Bank.

Free Limit Approval Procedure. For the free limit PFI Sub-Loans, the approval process will be based on the following procedure:

- An application is made by a beneficiary to its PFI for a PFI sub-loan for solar-based systems;
- The PFI will appraise the eligibility and creditworthiness of the beneficiary;
- If the PFI is satisfied that the beneficiary is creditworthy, and that all applicable eligibility criteria are met, the PFI shall submit the Sub-Loan for approval before the PFI Credit Committee, following its own applicable credit risk appraisal and management procedures;
- If the PFI Credit Committee approves the Sub-Loan, the PFI will sign the loan agreement with the beneficiary;
- The PFI will submit a signed copy of the PFI Sub-Loan to BRD, including all required documentation specified in the OM and BRD Credit Policies.

d. On-Lending Arrangements for Prior Review PFI Sub-Loans

Prior review of BRD is required for the first two back-to-back sub-loans from each Bank and for all sub-loans with the amounts above the free limit. . The prior review and approval process will be as follows:

- An application is made by a beneficiary to its bank for a bank sub-loan for solar-based systems;
- The bank will appraise the eligibility and creditworthiness of the beneficiary;
- If the bank is satisfied that the beneficiary is creditworthy and that all applicable eligibility criteria are met, the bank shall submit the sub-loan for approval by the bank's Credit Committee, following its own applicable credit risk appraisal and management procedures;
- Once the bank Credit Committee approves the sub-loan, the bank will submit an application to BRD to confirm the eligibility of sub-financing for the bank sub-loan;

- A BRD Investment officer will review and confirm the eligibility of the beneficiary and that the bank's sub-loan appraisal conforms with the OM and with the principles of sound banking;
- If the review concludes that the bank's request meets all applicable eligibility criteria and the credit risk management aspects, the application will be presented to the BRD's Credit Committee for the formal approval of subsidiary financing for the respective bank's sub-loan;
- For the first two sub-loans from each bank and for all sub-loans above US\$ 100,000; the approval process will also require a prior review and a no-objection by the World Bank before the presentation to the BRD's Credit Committee. BRD will be informed, in writing, of the World Bank's acceptance of the bank application or of any remedial action required;
- If any remedial actions are required, for the two sub-loans above, BRD shall inform the bank to address the noted issues or deficiencies. Once the issues have been adequately addressed, the World Bank may be asked for the second review. Once the World Bank provides the no-objection, the bank sub-loan will be presented to the BRD's Credit Committee;
- Once the BRD Credit Committee approves the sub-financing for the bank sub-loan, the respective bank will be informed. The participating bank will have up to 15 days to sign the contract with the beneficiary;
- The bank will submit a signed copy of the loan agreement to BRD, including all required documentation specified in the OM and BRD Credit Policies.

e. Ex-Post Reviews

Subsidiary financing that is not subject to prior review shall be subject to ex-post reviews, as decided by BRD and/or the World Bank. Due diligence and ex-post reviews will be governed by the BRD's credit management framework which includes a credit policy, risk grading policy, risk appetite policy, arrear management policy, and bad debt recovery policy. These policies spell out the processes followed in evaluating and approving the applications, monitoring mechanisms on active loans, and reporting and further disbursing to the intermediaries. BRD's internal control related departments shall take a lead in ex-post reviews.

The PFI has the full responsibility vis-à-vis BRD and the World Bank to ensure that the terms of the sub-financing and all expenditures financed with the proceeds of the PFI sub-loan are in compliance with the requirements imposed by this OM and the applicable BRD Credit Policies.

For all PFI sub-loans not requiring prior review, the PFI will ensure satisfactory receipt of the sub-loan documentation package as specified in the BRD Credit Policies. Any PFI sub-loan could be subject to ex-post review of all sub-loan documentation by BRD and the World Bank for verification of compliance with all sub-borrower, and sub-loan terms and conditions. All underlying documentation pertaining to sub-loans should be maintained by the PFI for a period of 3 years from the date on which the sub-loan was disbursed and should be made available to BRD and/or the World Bank upon request.

XIV. Disbursement Arrangements

Designated Account - Upon the effectiveness of the Loan and Donor Financing Agreements signed between the World Bank and MINECOFIN, funds will flow from the World Bank into a US\$ denominated Designated Account (DA) maintained by BRD at the National Bank of Rwanda. The Designated Account will receive funds advanced by the World Bank as per the Disbursement Letter. BRD will disburse from this Designated Account the requested and approved subsidiary finance to the Dedicated Accounts of each PFI (SACCO or commercial bank), MGD or OSC that has signed the Subsidiary Financing Agreement; disbursements to PFIs, MGDs or OSCs will be done in FRW. Other eligible expenditures can be paid from the Designated Account to suppliers of services, goods, consulting, non-consultant services.

Disbursement methods - The project will use the Advance and Reimbursement method as per the World Bank Disbursement Letter.

By the Advance Disbursement method, withdrawals from the World Bank will be deposited in the BRD DA based on a projected cash flow forecast for payments to the PFIs, MGD or OSC under their Subsidiary Financing Agreements or other eligible expenditures. The Interim Financial Reports based method will be used. The BRD will forecast the cash flow need for the next six months and prepare the financial report that will support the request of funds. The World Bank will review the quality of the report and the soundness of the cash flow forecast before providing the approval of the funds release.

By the Reimbursement method, BRD finances in its own resources loans or eligible activities and request reimbursement. The reimbursed funds will flow from the World Bank to the BRD into an account provided by the BRD that shall be different from the Designated Account. Request of funds shall be in US\$ irrespective of the method used.

Subsequent disbursements will be replenished based on the same principle on a quarterly basis for estimated expenditures, taking into account the balance in the BRD DA and the expected sub-financing needs for the next period.

Based on the Subsidiary Financing Agreement signed between the PFI and BRD, specifying the amount and the specific terms and conditions of sub-financing, the PFI shall open a Dedicated Account related to the sub-financing of the PFI Sub-loans (i.e., the loans to the final beneficiaries), at the PFI, BRD or financial institution acceptable to BRD. The PFI shall nominate one unit, and inform BRD accordingly, to be responsible for transmitting the disbursement applications and monitoring disbursements. The PFI shall submit the name of an authorized representative that shall be a key contact point for the disbursements and authorised to sign the disbursement applications. The PFI shall promptly inform BRD about any changes in signature authority.

In order to realize a disbursement, the PFI shall furnish to BRD a Disbursement Request. A standard format for the Disbursement Requests is provided in Annex 10. The Disbursement requests in the form of Applications of Withdrawal duly signed by the authorized representative of the PFI should have the quarterly Interim Unaudited Financial Statements as supporting documentation for advance replenishments.

a. Documentation Requirements

For all expenditures with respect to which withdrawals from the BRD Designated Account were made on the basis of statements of expenditure, PFIs, MGDs and OSCs 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 PFIs, MGDs and OSCs and for retaining the supporting documentation for statements of expenditures (SOE) and other payments and making them available during the 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 PFI, MGD, or OSC 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.

Retroactive Financing - In the event whereby the need arose to cover expenditures as defined per the Financing Agreement (Agreement) for expenditure payments made before the date of signing of the Agreement, such expenditures shall be made eligible under the Agreement as per an exception to the general condition of disbursement, by indicating a date prior to the date of signing from which such expenditures shall be eligible. The financing of such expenditures shall be claimed through the disbursement method of reimbursement once the Agreement has been made effective. As supporting documentation to this, the BRD shall submit together with the Application for Withdrawal, the appropriate Statement of Expenditures (SOE).

XV. Repayment Arrangements

BRD Repayments to MINECOFIN shall be guided by the Subsidiary Agreement between MINECOFIN and BRD.

PFI, MGDs and OSCs Principal Repayments - The PFIs, OSCs and MGDs shall repay the principal amount of subsidiary financing due in accordance with the amortization tables set forth in the respective Annexes to the Subsidiary Financing Agreements.

The PFIs, OSCs and MGDs are required to make payments to BRD regardless of whether or not they have received payments from their borrowers. Each time a principle or interest due on a PFI loan to the final beneficiary is late, or the PFI has classified any loan or credit as substandard, doubtful or loss, the PFI shall provide to BRD a report on the performance of the said loan or credit, the reason for adverse classification and the subsequent developments, and the up-dated financial condition of the final beneficiary. The PFI or OSC shall agree to keep the credit history of the final beneficiaries on file until the Project has been implemented.

The PFI, MGD or OSC shall repay the Subsidiary financing or any portion thereof before the agreed due date upon demand being made by BRD:

- if the PFI, MGD or OSC fails on a due date to repay any part of the Subsidiary Financing, or to pay interest thereon, or to make any other payment due;
- if the PFI, MGD or OSC or a Beneficiary cease to exist;
- if the Agreement is terminated by BRD or by the PFI, MGD or OSC;
- if the PFI does not cause borrowers to follow procedures, as specified in the OM, the World Bank Anti-Corruption Guidelines and the World Bank Environmental and Social Operations Manual;
- if any information or document related to the Agreement concerning the PFI, MGD or OSC or the PFI 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; or if the PFI in said cases did not make reasonable efforts to check the correctness of information.

PFI, MGD or OSC Interest Payments - The withdrawn and outstanding balance of Sub-financing shall bear interest at a rate specified in the agreements. The total interest due by the PFI, MGD or OSC to BRD shall be equal to the sum of interest on withdrawn and outstanding balances of Subsidiary Financing (for all sub-loan financing extended to the PFI, MGD or OSC).

XVI. Monitoring, Evaluation and Reporting

The achievement of the Project objectives will be measured through indicators summarized in Annex 12. 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: SACCOs, banks and private companies engaged in off-grid electrification (mini-grid developers and potentially locally-registered off-grid solar companies). The PIU will collect data and reports from participating entities and present progress in achieving the key and intermediate indicators to the World Bank quarterly. This will be carried in conjunction with the World Bank team implementation and support missions.

In addition to PDO indicators, regular BRD semi-annual reporting shall also include identification of implementation problems and risks, as well as recommendations for actions to be taken to ensure the Project is successfully implemented. The World Bank will review the updated results framework submitted semi-annually by BRD and discuss the progress and deviations with BRD to identify any areas where additional help from the World Bank is needed.

The reporting provided by BRD will be supplemented by the World Bank's supervision missions. Regular supervision missions will include a review of BRD portfolios; assessments of project progress against initial target; monitoring the performance of the portfolio with regard to interest service, principal repayment, disbursements, etc. These assessments and findings will also include follow-up with PFIs and the final beneficiaries, including field visits, interviews with final beneficiaries.

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.

XVII. Financial Management

The project will follow the existing financial policies and procedures of BRD. The policies and procedures have been reviewed during the project preparation and found to be adequate.

Funds will be disbursed into a designated account maintained by BRD at the National Bank of Rwanda. The initial advance will be based on the forecast for six months. Subsequent disbursements will be based on the unaudited Interim financial reports (IFRs).

BRD will prepare unaudited Interim Financial Reports (IFRs) on a quarterly basis. BRD will submit the IFRs to the Bank within 45 days after the end of the calendar quarter (e.g., May 15, August 15, November 15, February 15) and shall include:

- Sources and Uses of Funds (Revenues and expenditures statement);
- Financial Position statement;
- Cash flow statement;
- Budget execution report;
- Notes on accounting policies;
- Designated account (DA) activity statement.

Financial statements shall be prepared in accordance with the International Financial Reporting Standards (IFRS) and will be consolidated also in the BRD Quarterly report submitted to the Board and the external auditor.

XVIII. External Audit Arrangements

The project annual financial statement will be audited in accordance with International Standards on Auditing (ISA). Audit reports would be produced on the financial statements for the project and would be submitted to the World Bank within 6 months following the end of the accounting year. The audit report should be inclusive of a management letter setting out any internal control strengths, weaknesses and external auditor recommendations.

The project's financial information shall be also consolidated into the BRD accounts audited by the external auditors. The arrangements for the external audit of the financial statements of the project should be agreed through agreed terms of reference. Appropriate terms of reference for the external auditor shall be developed and agreed with IDA before negotiations.

In line with the new access to information policy, the project will comply with the World Bank disclosure policy of audit reports (e.g. make publicly available, promptly after receipt of all final financial audit reports).

PFI, MGD and OSC 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.

XIX. 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).

Window 3 will have more impacts associated with construction and installation of mini-grids systems. 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 17 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/outsourcing 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 18 provides the screening form and generic terms of reference that will guide developers to prepare resettlement instruments.

BRD will hire/outsourcing a social safeguards specialist who will assist BRD in assessment of social safeguards compliance during subprojects appraisal and coordinate the implementation and Monitoring of involuntary resettlements activities.

Environmental and social safeguards implementation Procedures

This Operational manual sets out a structured set of environmental and social assessment requirements.

For direct lending,

- 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.

For indirect lending especially for window 1, 2 and 4 the key requirement is that the participating solar companies has an appropriate plan for collection, disposal and recycling of spent batteries approved by Rwanda Environment Management Authority(REMA).

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 PFI that utilizes the World Bank loan proceeds on-lent by BRD will submit an annual environmental and social performance report to BRD.

The World Bank conducts 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/ PFI 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 the 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.⁷

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 Renewable Energy Fund Project is categorized as FI, and as such, each PFI, Mini-grid developer or solar company 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 PFI, OSC, and MGD to identify risks and assess whether the ESMS developed by the PFI, OSC and 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

⁷ 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*.

environmental and social safeguard categories that BRD, and then, PFIs, OSCs and 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 9: Sub-Loan Agreement between BRD and off-grid solar companies

(between BRD and LOCALLY REGISTERED OFF-GRID SOLAR COMPANY)

AGREEMENT dated, entered into between Development Bank of Rwanda (the Lender on one hand) and [insert name of the Locally Registered Off-Grid Solar 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 Agreement.

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 (d) 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 SOLAR COMPANY (NAME) name] to participate in the implementation of Part 1(d) of the REF Project, in accordance with the Project Agreement and the REF Project Operations Manual, has offered [insert SOLAR COMPANY (NAME) name] to assist in the implementation of the Part 1 (d) of the REF Project;

WHEREAS, [insert Solar Company name] (“Final Beneficiary”) has agreed to receive a sub-loan (“Sub-loan”) under the terms and conditions set forth in this Agreement and in accordance with Financing Agreements, the Project Agreement and the REF Project Operational Manual. BRD and the (Solar Company) hereby agree as follows:

Article 1: Definitions

- **Loan or Sub-Loan or Direct 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;
- **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.

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 Solar Company 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 shall have the following rights under this Agreement:

- Suspend or terminate the right of the Final Beneficiary to use the proceeds of the Direct Loan, or obtain a refund of all or any part of the amount of the Direct Loan then withdrawn, upon the Final Beneficiary’s failure to perform any of its obligations under the Direct Loan Agreement;
- require each Final Beneficiary to: (A) carry out its project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the World Bank, including in accordance with the provisions of: (1) the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Final Beneficiary; and (2) the Safeguards Instruments required for the project; (B) provide, promptly as needed, the resources required for the purpose; (C) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the World Bank, the progress of the project and the achievement of its objectives; (D) (1) maintain a financial management system and prepare financial statements, both in a manner adequate to reflect the operations, resources and expenditures related to the project; and (2) at the request of the World Bank or 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 World Bank or BRD, as the case may be; (E) enable the World Bank or BRD, as the case may be, to inspect the project, its operation and any relevant records and documents; and (F) prepare and furnish to the World Bank or BRD, as the case may be, all such information as the World Bank or BRD, 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 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

- 7.1. 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.
- 7.2. 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.
- 7.3. 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.

- 7.4. 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.
- 7.5. The Lender shall be entitled to a commitment fee equivalent to 1% per year on the un-disbursed 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 Plc;
- Joint and several security of the Shareholders of Solar Company (Name) ;
- Promissory note.
- Bank guarantee or other guarantee papers guaranteed amount, name of the guarantor, guarantee number, expiry date etc.

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 favor 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:

- It has legal capacity and power to enter into, perform and deliver this agreement, own the assets and carry on the business;
- 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;
- 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;
- Rwandan law and jurisdiction will be recognized and enforced.
- No event of default or default and no other breach or default which has, or is reasonably likely to have, a material adverse effect;
- Provided information before, at the time of and after the signing of this agreement is true and not misleading;
- 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;
- 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;
- 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;
- No investigation, litigation, arbitration proceedings started or threatened which, if adversely determined, would be reasonably likely to have a material adverse effect;
- 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:

- to execute his contractual obligations in good faith;
- 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.
- 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.
- 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.
- to inform the Lender in advance of any decision likely to change the name, headquarters and business;

- 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;
- to pay extra costs that may be necessary for the total investment and successful implementation of the project financed;
- 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;
- to prematurely repay the loan in the event of expropriation of mortgaged property or of the project site;
- maintain all financial ratios as prescribed by any regulator of the Final Beneficiary's business during the term of the agreement;
- to submit to the Lender his financial statements audited within 90 days from the end of the fiscal year
- to maintain appropriate levels of insurance with reputable insurance companies in relation to his business assets, earnings and liabilities, bodily accidents, etc.
- 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;
- 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:

- 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;
- 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.
- 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,
- not to stand guarantee for any third-party.
- 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.
- not to grant, lend, transfer or give for lease the mortgaged property or part of it without the consent of the Lender.
- 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.
- 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.

- 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.
- 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;

- Non – payment of principal, interests, commissions and fees on due dates.
- Misrepresentation
- Breach of covenants
- Any breach of any of the conditions and obligations relating to this agreement and the project.
- Material adverse change in the, management, business, control of the business or financial position of the Final Beneficiary.
- Diversion of the loan;
- Qualified report by the auditor of the Final Beneficiary’s financial statements
- Nationalization of the project or the Final Beneficiary
- Seizure of the Final Beneficiary’s assets
- Expropriation of the project
- Suspension of the project
- Dissolution of the Final Beneficiary
- Judicial bankruptcy or insolvency
- Cross – default
- Repudiation or challenge of administrative documents of the project
- 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

- The Final Beneficiary shall submit on quarterly basis reports on the performance of the project to the Lender.
- The Final Beneficiary shall provide any information on his business and/or operation requested for by the Lender in support of its project.
- 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 honor 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

Representatives

