

**COMMERCIALIZATION AND DE-RISKING FOR
AGRICULTURAL TRANSFORMATION PROJECT
(P171462)**

CREDIT LINE MANUAL

DECEMBER 23, 2022

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1 INTRODUCTION

CDAT - Commercialization and De-Risking for Agricultural Transformation project was conceived as a solution to the private sector investment to provide access to affordable and long-term financing for agriculture sector. Through MINAGRI, the GoR has contracted a USD300 Million long term loan to support the agriculture sector scaling up and the funds would be managed by Development Bank of Rwanda (BRD) for the lending component and Rwanda Agriculture and Animal Resources Development Board (RAB) for the non-lending activities as specified in the financing agreements and PAD (Project appraisal document)

A separate PIM has been developed with the provisions of the financing Agreements signed by the Republic of Rwanda (represented by MINECOFIN) with the World Bank and the Subsidiary Financing Agreement (SFA) signed by BRD with MINECOFIN.

This credit line manual will give details of BRD model of operations as it relates to lending and deploying the CDAT project funds.

2 PROJECT DEVELOPMENT OBJECTIVES AND EXPECTED BENEFITS

2.1 Project Development Objectives

The Project Development Objective (PDO) is to increase the use of irrigation and commercialization among producers and agriculture firms in supported value chains and to increase access to agriculture finance. The target beneficiaries will be farmers' cooperatives, commercial farmers, and small, medium sized agriculture firms.

2.2 PDO Indicators

The indicators to help achieve the PDO targets are listed below:

- (i) Increase in share of agricultural produce sold by participating producers.
- (ii) Increase in the cultivated area being irrigated in new and rehabilitated schemes.
- (iii) Increase in value of agricultural production quantities procured by participating aggregators (cooperative and contract buyers).
- (iv) Increase in number of borrowers obtaining agricultural loans from participating financial institutions.
- (v) Total number of benefitting households reached by the project.

2.3 Project Beneficiaries

Primary beneficiaries of the CDAT Project are Rwanda based Agri-entrepreneurs, farmers, farmers cooperatives, commercial farmers, and Agriculture MMSMEs.

The target market for the credit line would be BRD direct investment clients and PFIs (Commercial banks, MFIs and SACCOs) end-projects for agriculture production and postharvest by farmers, farmer cooperatives, and agriculture MSMEs with priority given to female-led and climate smart projects. The credit line will be used for any commodities and businesses related to the agriculture

sector, animal production, livestock in addition to the CDAT prioritized value chains targeted for the public investments from which potential financing opportunities will be introduced to the PFIs.

2.4 Gender

The project aims to support women-inclusive agriculture MSMEs¹ to increase their uptake of programs. The project will target female farmers as well as women-owned/led MSMEs and farmer organizations to increase their participation and enhance their bankability and eligibility to meet the project criteria and benefit from the various financial products available under the project.

2.5 COMMERCIALIZATION AND DE-RISKING FOR AGRICULTURAL TRANSFORMATION PROJECT

TABLE 1. Version Control of the Manual

VERSION NAME	LATEST VERSION	SOURCE
01-CLM-CDAT-15/10/2022	<input checked="" type="checkbox"/>	Shall be made publicly available on BRD website under Priority Sector/Special Projects/CDAT

Operating Guidelines

Project Life	: Five (5) years [10 May 2022 – 30 April 2027]
Loan amount	: US\$300 million equivalent
Grant amount	: US\$75 million equivalent – World Bank
Borrower	: Government of Rwanda (GoR)
Implementing Agency	: Development Bank of Rwanda (BRD)
Credit line amount	: US\$15 million can be scaled up to US\$55 million

Interest Rate and commissions:

World Bank to GoR	: Based on Financing Agreements (7084-RW; 7085-RW; E017-RW)
GoR to BRD	: Based on signed Subsidiary Financing Agreement
BRD to PFIs	: Up to 4.5% p.a. (reducing balance), with no additional fee
BRD to end borrowers	: 8.0% p.a., excluding fees and commissions
PFI to end borrowers	: 8.0% p.a. excluding fees and commissions

Maturity Period:

World Bank to GoR	: Based on Financing Agreements
GoR to BRD	: Based on Subsidiary Financing Agreement
BRD to PFIs	: Up to 10 years with a grace period of up to 3years
PFI to end borrowers	: Up to 10 years with a grace period of up to 3years
BRD to end borrowers	: Up to 10 years with a grace period of up to 3years

Financing amount:

PFI to end borrowers	: Up to FRW600 Million per sub-project.
BRD to end borrowers	

Repayment:

GoR to the World Bank	: Based on Financing Agreement
PFIs to BRD	: Based on Participating and disbursement Agreement

¹Women inclusive agriculture MSMEs are defined as (i) owned by women (i.e. with at least one female shareholder with a properly documented representative and managing powers); (ii) managed by women (i.e. with at least one female chief-level (C-level) manager or with at least 25 percent female representation in mid-level management); (iii) employing a ratio of women that is higher than the average ratio observed in the respective sector; (iv) having increased the share of women employment by at least 5 percent in the previous year; or (v) Female farmers; Farmers' organizations owned by female, led by female and/or having a the majority female staff.

2.6 Component to be implemented by BRD:

Component 2 subcomponent 2.1: Scaling up agriculture finance (US\$15 million)

This component set the foundation for expanding the supply of affordable financial services and products, especially credit in the agriculture sector, thereby enabling investment and, ultimately, agricultural transformation. The subcomponent will finance a credit line for production and post-harvest finance and institutional capacity development (TA) for participating financial institutions, which will contribute to a sustainable provision of financial services and products.

The subcomponent will remedy to primary issues of financial services in the agriculture sector mainly the inadequate access to long term financing for farmers and farmers' organizations and insufficient knowledge to lend effectively when the risk management strategy is based on collateral; this has impacted women who in most cases have no tangible collaterals to offer; additionally limited long term financing hinders production process and post-harvest activities thus commercialization becomes challenging.

BRD will implement this subcomponent in two parts:

- (1) **Credit Line for production and post-harvest finance:** this will be used by BRD to lend to direct investment clients and onlend to PFIs including commercial banks, MFIs and SACCOs to reach the agriculture sector. The targets projects are farmers and farmers cooperatives with priority to women-led and climate smart projects. The focus will be to the prioritized value chains (rice, beans, Irish potatoes, maize, horticulture and cassava) targeted by the public investment in Component 1 plus any other commodity or business that are in agriculture sector, animal production and livestock.

The lending to end borrowers i.e farmers and farmers' organizations will be blended using a part of CDAT funds combined with the BRD/PFI's own funds.

A semi-annual review would be conducted to assess the effectiveness of the credit line. The findings and recommendations are expected to guide the GoR, BRD, and WB in making the necessary adjustments in the credit line policies to improve its efficacy and decide on the credit line scale-up through allocation of additional resources. Based on the Financing agreement, the unallocated amount of USD40 million could be added to the Credit line after this review if the previous tranche was utilized successfully and exhausted. For the details of the review and the scale-up, see Section 11 and Annex 8.

Lending structure: the lending to end borrowers will be done through both BRD and PFIs following eligibility criteria and the blending structure based on the fulfilling the prudential guidelines set by the Central Bank.

TABLE 2: Below shows the blending structure to be followed:

Size of business	Interest rate	Tenor	Grace period	Maximum loan size for end borrowers
All sizes of farmers/farmers' organizations/ agriculture MMSMEs	Blended: 90% of the loans are covered by CDAT funds at the interest rate of 8% 10% of the loans are covered by own funds (BRD or PFI) at their respective lending rates	Up to 10 years	*Maximum will be 3 years based on the crop, as detailed below	Up to FRW 600 million per borrower

**Short cycle production commodities will be a grace period of up to 1 year. Long production cycle commodities will have 2 years prior harvest and 1 year from the first production. The grace period will be determined case by case as crops differ.*

Short production cycle: commodities that take one year and below to harvest such as rice, maize, etc...

Long production cycle: commodities that take above one year to harvest such as cassava, etc...

PFI's will be able to get CDAT funds from BRD at 4.5% and on-lend to eligible end borrowers at 8% exclusive of all possible applicable fees. CDAT will only participate when the loan size is not more than FRW600 Million and the participation will be 90% of the loans for end borrowers.

65% of the CDAT funds available on this sub-component will be channeled through on-lending via PFI's and 35% of the funds will be lent by BRD directly to clients.

The below table shows the definition and category of MSMEs that are eligible for the CDAT credit line.

ANNUAL TURNOVER (SALES REVENUE)	SIZE OF THE BUSINESS
Up to FRW100 Million	Micro
Between FRW 100 million to FRW1 Billion Million	Small enterprise
Between FRW1 Billion to FRW3 billion	Medium enterprise

2.7 Financing arrangements between MINECOFIN and BRD

2.7.1 Funding arrangement

MINECOFIN signed a Subsidiary Agreement (SA) with BRD (Project Implementing Entity). The required funds to BRD will be disbursed by World Bank directly in foreign currency DAs maintained by BRD at BNR.

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

BRD shall carry out its respective part of the project with due diligence and efficiency, in conformity with appropriate administrative, economic, managerial, financial, environmental, social, labour, health and safety, and technical standards and practices and provide promptly as needed, the facilities, services and other resources required for Sub-component 2.1 and BRD portion of Component 3 of the Project.

2.7.2 BRD Financial management

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

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

3 ON-LENDING ARRANGEMENTS BETWEEN BRD AND PFIS

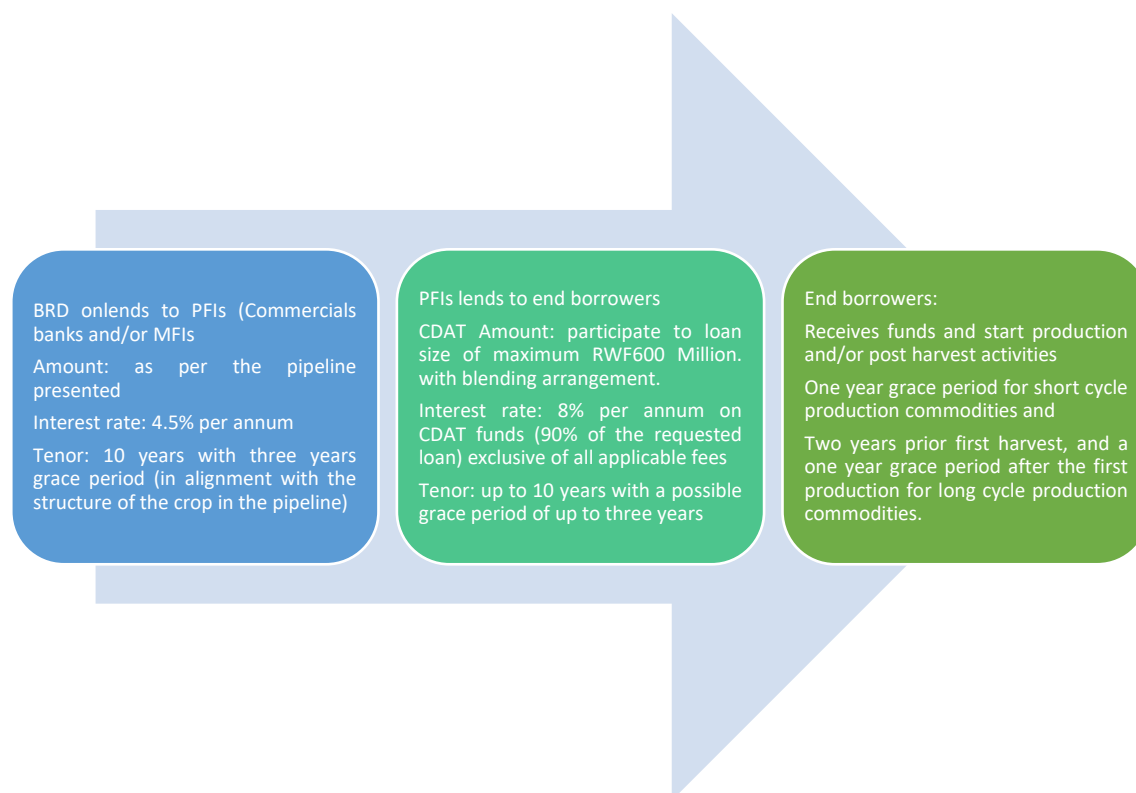
3.1 Funding arrangements

BRD will on-lend CDAT project funds to PFIs to finance farmers, farmers organizations and agriculture MSME, that comply with eligibility criteria set in the credit line manual and agreed with the World Bank. The on-lending arrangement will be governed by a PFI Participating Agreement to be signed in local currency between BRD and each eligible PFI in the project. The Participating Agreement will outline the terms and conditions of the financing, and detail the rights and obligations of both parties, and remedies among other provisions. Participating Agreements between BRD and PFIs will require non objection by the World Bank. The standard form of the Participating Agreement is provided on annex 1.

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

For each disbursement amount, the PFI will make disbursement request specifying the amount and the nature of the pipeline, preferably with the names in attachment with additional documentation of the sub-borrowers such as term sheet, application letter, loan agreement and any other relevant document from the PFI signed by the client, thereafter a disbursement agreement will be signed with BRD.

FIGURE 1. BRD PFI on-lending Model



The credit risk of the end borrowers will be on the PFIs, while BRD will only take credit risk on the PFIs. The PFIs will in turn sign Sub-loan Agreement (SLA) with eligible farmers, farmers’ organizations, and agriculture MSMEs and disburse to them the funds in local currency. The PFIs will use their standard documents as the SLA with their clients.

3.2 PFIs eligibility criteria

3.2.1 Priority sectors

BRD will provide wholesale loans to PFIs (banks, MFIs, and SACCOs) who will on-lend to the selected borrowers in the agriculture sector. The credit line aims to support production and post-harvest of the CDAT supported six value chains (i.e. horticulture, beans, maize, cassava, Irish potatoes, and rice) plus any other commodities or post-harvest businesses (excluding processing) that are in

agriculture sector including animal production and livestock. Women led project and ²climate smart agriculture projects would be given a priority. The priority sectors are shown below:

TABLE 3. Priority sectors

PRIORITY SECTORS	Eligible activities	Eligible Business status
1. All agriculture and agribusiness value chains	Production and post-harvest	1.Existing borrowers who are expanding, acquiring post-harvest equipment/assets and/or expanding to new crops and livestock production 2.Freshly new borrowers that are starting agricultural production and post-harvest activities
2. Animal production and livestock	Diary, piggery, poultry, feeding, shelters construction for animal, animal breeding, fishing, etc.	

Post-harvest activities might be handling, sorting, drying, conditioning and storage and others as case may be. CDAT will serve borrowers that are not in processing businesses which are covered under the AFIRR project.

Production activities include procurement of agricultural inputs such as fertilisers and seeds, land preparation such as first ploughing or tilling, and harrowing/levelling, labor for harvest, mechanization, and irrigation, etc.

3.2.1 PFI qualification and eligibility criteria

The BRD will appraise all interested banks, MFIs and SACCOs to confirm whether they meet the agreed eligibility criteria. The PFIs key eligibility criteria include, these might differ based on banks, MFIs and/or SACCOs:

- **Compliance with prudential regulations issued by the BNR** – the PFIs must be always in good standing with the BNR and observe all other applicable laws and regulations. The PFIs’ compliance to Prudential Financial metrics shall also be observed³. BRD shall be guided by the Central Bank regulations per PFI’s category i.e banks, Microfinances and/or SACCOs. For SACCOs, BRD should also be guided by Rwanda Cooperatives Agency (RCA) guidelines on top of the BNR.
- **Management and good governance** – “fit and proper” owners, directors and managers; adequate Board composition and practices (according to BNR compliance requirements); competent management with adequate managerial autonomy; adequate organization and institutional capacity for its specific risk profile; satisfactory staff capacity and

² Climate smart agriculture is defined as any innovation in agriculture towards a green environment such as solar irrigation and others

³ In case a PFI is breach of any prudential metric, a plan to reverse the trend shall be submitted by the PFI to BRD for review and approval by BRD approval authorities.

managerial autonomy to carry out its role in the project. Board-approved maturity gap limit assessed periodically.

- **Capital adequacy** – compliance with BNR regulations (i.e. minimum capital of 15 percent, as case may be, calculated as the ratio of total capital to total risk weighted assets).
- **Adequate profitability** – positive profitability, well diversified income structure and stable earnings trend. Well-managed cost structure.
- **Adequate credit policy** - including internal rules for reliable appraisal of mortgaged properties.
- **Operational capacity** – sufficient capacity to serve farmers and farmers organizations and agriculture MSMEs to participate in the Project; ability to track loans by sector, firm size, and financing type (CAPEX, OPEX, WC).
- **Acceptable risk profile** – effective Asset and Liability Management Committee (ALCO), well-defined policies and written procedures for management of all types of financial risks (liquidity, credit, currency, interest rate and market risk, as well as risks associated with balance sheet and income statement structures); adequate organizational and institutional capacity for its specific risk profile.
- **Adequate collateral** – the PFIs should be ready to provide promissory note and or negative pledge or any other collateral acceptable to BRD as part of the collateral support.
- **Adequate asset structure and portfolio quality** – acceptable asset structure including concentration; lending to connected parties; effectiveness of loan underwriting; asset classification and provisioning; level of NPLs and collection practices.
- **Adequate internal audit** – independent internal audit function with well-defined procedures, annual internal audit plans, regular reviews of all key risk management functions and follow-up on issues raised in internal audit reports.
- **Undertake annual external audits** by reputable auditors and according to international auditing standards.
- **Adequate MIS system and well-organized IT support, with adequate internal controls and security policies** – the IT support should be based on relational database management system providing good accounting and bookkeeping, and adequate system-software support for transaction processing and all banking and risk management functions.
- **Allow authorized BRD representatives on a need-to-know basis access to privileged and confidential information** necessary to appraise whether the bank meets and/or continues to meet the agreed qualification criteria.
- **Agree to devote adequate resources to the Project**, to establish and maintain an adequately staffed credit appraisal/management group and credit risk committee, and to join any available Project-related training.
- **Agree to comply with the project’s Environmental and social standards requirements**, including developing and adopting a comprehensive Environmental and Social Management System (ESMS) to guide the process of carrying out E&S due diligence on final beneficiaries and sub-project appraisals as well as for supervising sub-projects implementation; **as well establish and operationalize a proportionate grievances redress mechanism**
- **Compliance with BRD exclusion list of activities** (see annex 2)
- **Appropriate Implementation Capacity** –to verify and document agreed lending criteria, maintain files opened for inspection during supervision reviews, and deliver regular reporting as defined by the Participation Agreement

PFI that deviate from the eligibility criteria may be considered for participation wherever a credible commitment to achieve compliance in the form of a time-bound action plan has been prepared by the PFI, submitted to BRD, is deemed satisfactory.

3.2.2 Appraisal of PFIs – information needed

During the appraisal of the PFI eligibility and LoC Application, the following information should be provided **(this might differ based on the PFI category i.e banks, MFIs and/or SACCOs):**

- Application letter signed by the PFI with the list of pipeline.
- Official communication from the PFI indicating the focal person on the project.
- Audited financial statements meeting IFRS standards for at least previous three years, including external audit opinion and recommendations and Management accounts should be provided where deemed necessary for BRD to review the growth prospects in the PFI's financial position.
- A copy of the bank's operating license.
- Names of its significant owners holding more than 10% of shares. Summary information for each significant owner including connected parties – individuals or other companies;
- Organizational chart and governance structure. Names of and brief profiles of senior managers;
- Risk management related committees and bodies;
- Copy of policies, procedures and Standard Operating Procedures (or Operations Manual) related to lending and credit risk management; a copy of the bank's ESMS and the focal person.
- Set up and/or operationalization of the grievances redress mechanism and a dedicated focal staff.
- Summary information on loan classification (all five categories), loan loss provisions, and collateral coverage for substandard, doubtful and loss categories;
- Compliance with BRD exclusion list of activities (see annex 2)
- Summary on how the IT system is being managed at the PFIs;
- Quarterly financial reports.

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

NB: PFIs that have been assessed and/or that are participating on other sister projects funded by World Bank and implemented by BRD (including AFIRR/ERF2, REF, RHFP, JYAMBERE, etc.) shall only be required to provide additional information pertaining to the Project to update their due diligence note for approval by BRD.

3.2.3 PFIs application and appraisal and disbursement process (wholesale loans)

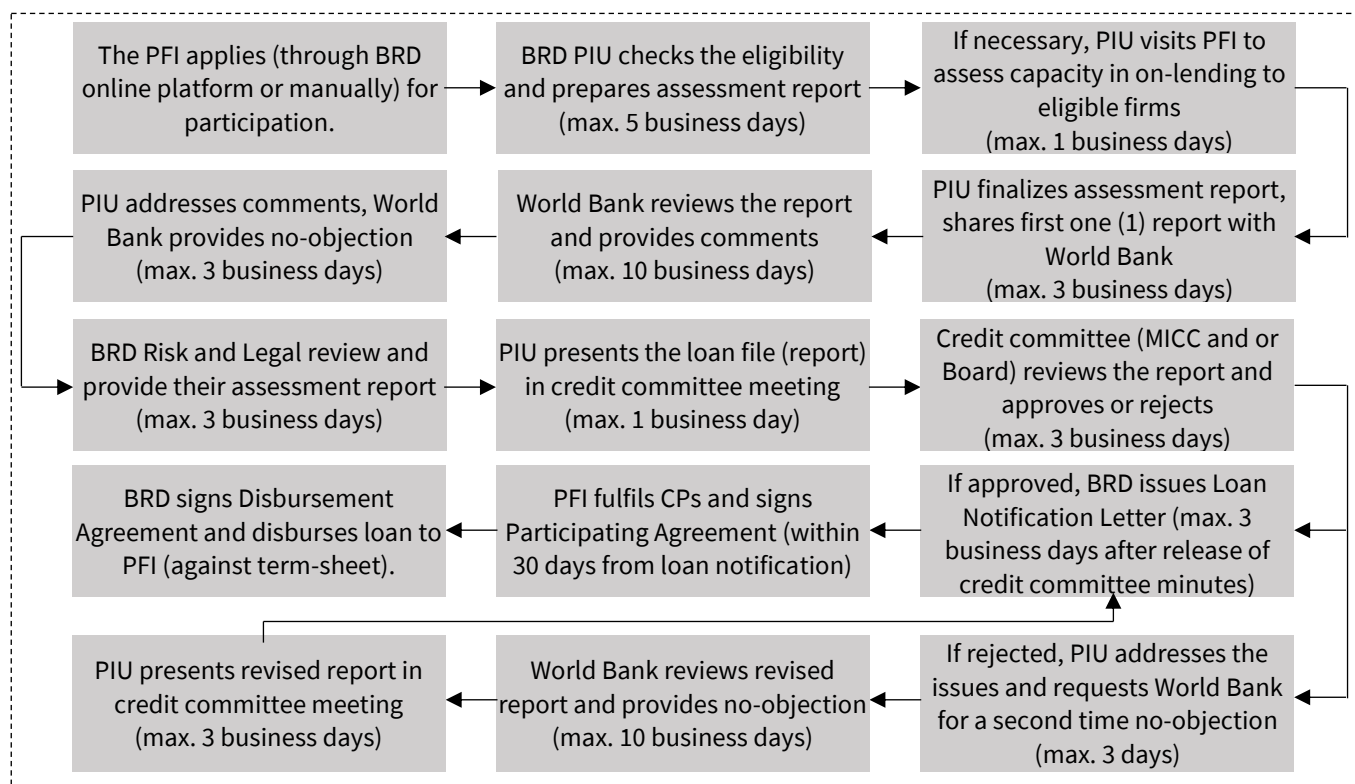
The PFI wholesale financing will follow the following approval process which will comply with the lending procedures established on the BRD credit policy:

- An application is made by an eligible financial institution for the wholesale financing. The application from an interested financial institution will be initiated through BRD online platform or manually with supporting documents.
- The investment officer of BRD PIU will check eligibility and prepares assessment report including the Environmental and Social Due Diligence (ESDD) report.

- The investment officer will finalize assessment report and shares it with the World Bank. The first two (2) assessment report including ESDD report need prior review and no-objection from the World Bank.
- The World Bank reviews the above report and provides comments. The PIU will address the comments and send back to the World Bank for no-objection.
- BRD PIU will share the assessment report with BRD risk and legal unit for their review.
- BRD PIU will present the loan file in Management Investment and Credit Committee (MICC) and/or Board Credit Committee and gets approval.
- BRD issues Loan Notification Letter and finally signs Participating Agreement with PFI. PFI makes disbursement request specifying the amount and the nature of the pipeline, preferably with the names in attachment with additional documentation of the sub-borrowers such as term sheet, application letter, loan agreement, and any other relevant document from the PFI signed by the client, thereafter a disbursement agreement will be signed with BRD
- Disbursement is made on the PFI's designated account

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

FIGURE 2. PFI lending process



3.3 PFIs Loans terms and conditions

3.3.1 General conditions

- The principal amount advanced to a PFI under its respective legal documents shall be denominated in FRW, as well as all applicable fees and interest charges.

- The wholesale finance amount will be the equivalent to the aggregate amount of sub-loan extended to eligible borrowers under the blended arrangement as specified in this credit line manual.
- The wholesale financing for the PFI will be extended on a first-come, first-served basis.
- BRD and PFI will sign Disbursement Agreement before disbursing each wholesale financing request to the PFI.
- Once the approved amount of wholesale financing has been utilized, the PFI can ask for additional financing.
- The wholesale finance will be used for on-lending to eligible borrowers. The PFI should use the wholesale finance strictly for the intended purpose (onlending to support agriculture production and post-harvest activities) as stipulated on the participating Agreement.

The PFIs and their sub-loan projects should comply with Environmental and Social safeguard requirements.

TABLE 4. Terms and Conditions of PFI Wholesale Lending

Currency	• Rwandan Francs (FRW)
Amount	<ul style="list-style-type: none"> • Equivalent to the sum of each sub-loan amount in the pipeline using the blending structure as stipulated in this manual. • The PFIs can request for additional tranche as soon as the previous tranche amount is fully committed.
Maturity	• Loan tenor of up to 10 years and up to 3 years of grace period based on the crop as defined under blending structure on Table 2.
Repayment	<ul style="list-style-type: none"> • Quarterly after the expiry of grace period. • Quarterly payment of interest amount charged during grace period • As recommended by the BRD’s MICC based on the crop to be financed
Interest Rate	• Up to 4.5% per annum with no other fees and commissions.
Credit Risk	<ul style="list-style-type: none"> • BRD will take the full credit risk on the wholesale loans extended to PFIs. • PFI will take full credit risk on on-lending amount extended to its borrowers. This means, PFI has to pay back the BRD loan even if the borrower fails to repay the loan to PFI

Loan limit

- Each eligible PFI will receive a minimum tranche of FRW50 million to a maximum ceiling as determined based on the PFI and on the funds availability.
- For any PFI, the wholesale finance amount from BRD will be maximum to the sum of all sub-loan amounts collected from the list of pipelines considering in the blending structure as stated in this manual (90% of loan and 10% of the loan for CDAT and PFI’s own funds, respectively). The subsidiary finance will be disbursed to the PFIs on a first come first served basis.

3.3.3 Interest rates and other fees

- BRD will lend funds to PFIs at interest rates that consider at minimum BRD’s cost of funds, operating costs and an appropriate credit risk margin. BRD to PFI wholesale interest rate shall be no higher than 4.5 percent p.a. (no further fees or commission) subject to half year monitoring and adjustment based on market conditions as recommended by BRD and

approved by the project National Steering Committee (NSC). See section 11 for the details of the review.

- Interest and principal repayments for PFI wholesale financing would be as per disbursement agreement and/or participating agreement.
- The interest amount generated during the grace period will be paid during grace period or capitalized subject to BRD-PFI negotiation.
- There would be no wholesale finance prepayment penalties.

3.3.4 Loan tenor

BRD to PFI wholesale lending tenor will be up to 10 years and up to 3 years of grace period. The PFI tenor shall be in alignment with the underlying portfolio tenor (loan tenor given to the end borrowers). BRD will reserve the rights to revise the tenor from time to time upon consultation with the PFIs.

3.3.5 Credit risk aspects

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

3.4 Loans disbursement arrangements

For each disbursement, BRD also sign a Disbursement Agreement with PFIs. The Disbursement Agreement will outline the amount accompanied by a list of names in pipeline with sub-loan sector.

PFIs are required to disburse all the funds received from BRD within a period of 6 months; after the 6 months BRD will be free to recall all uncommitted funds within 30 days with no further notice. The PFIs will be free to recycle the draw down amount as long as it utilizes the funds within 6 months, in conformity with the guidelines described in this Credit Line Manual.

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

Successful PFIs, which use the facility effectively, will be able to receive multiple tranches as proposed by BRD and agreed with World Bank.

3.5 Repayment terms and conditions

The PFIs loan repayment terms and condition will be outlined in the Participation Agreement and Disbursement Agreement signed between the PFI and BRD. The standard form of the Participating Agreement and Disbursement Agreement are provided on Annexes 1 and 3 respectively.

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

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

3.6 Monitoring and evaluation

The achievement of the Project objectives will be measured through indicators summarized on Annex 6. Monitoring of project implementation progress and results indicators, as well as progress towards achievement of the PDO, will be the responsibility of BRD as well as participating entities (PFIs and BE). The Participating Agreement will incorporate reporting requirements by PFIs throughout the life of the project.

PFIs shall send implementation and financial reports to BRD on a quarterly basis, within 30 days after the quarter ends. The reports should have details on the performance of such sub-loans, the reason for adverse classification, the subsequent developments, and the updated financial condition of the sub-project. The PFI shall agree to keep the credit history of the subprojects on file until three years after the project has been completed. The reporting template is on annex 7.

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

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

3.7 Suspension

If a PFI, even after the timeline given to comply, still fails to be compliant with eligibility criteria and all applicable policies and procedures specified in the manual, its access to financing shall be suspended. The suspension rules are the following:

- If a PFI is found to breach the established eligibility criteria, further disbursements and access to new funding will be suspended until the PFI has fully refunded the financing related to the ineligible loans, if appeared in the BRD list of excluded activities (on Annex 2).

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

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

4 ON-LENDING ARRANGEMENTS BETWEEN PFIS AND END BORROWERS

TABLE 4. PFI to farmers and farmers organizations Sub-loan Terms and Conditions

Size of business	Interest rate	Tenor	Grace period	Maximum loan size for end borrowers

All sizes of farmers/farmers' organizations /Agriculture MSMEs	Blended: 90% of the loans are covered by CDAT resources at the interest of 8% 10% of the loans are covered by own funds (PFI) at their respective lending rates	Up to 10 years	Maximum will be 3 years based on the crop production cycle, as detailed below	Up to FRW 600 million per borrower
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Short cycle production commodities will be a grace period of up to 1 year. Long production cycle commodities will have 2 years prior harvest and 1 year from the first production. The grace period will be determined case by case as crops differ.

Short production cycle: commodities that take one year and below to harvest such as rice, maize, etc...

Long production cycle: commodities that take above one year to harvest such as cassava, etc...

Matching grants and insurance scheme:

The CDAT project has a sub-component with an allocation of about US\$16 Million and US\$20 Million dedicated to matching and subsidized insurance premium respectively.

Both schemes are implemented by RAB, however the matching grants component will be managed by BDF.

Insurance premium support will be for primary production and will subsidize 40% of commercial premium with the borrower paying the difference. The NAIS scheme will provide subsidy to agriculture commodities that NAIS will be able to develop insurance products i.e maize, rice, Irish potatoes, French beans, chili, dairy cattle, pigs and chickens.

The support will include the agriculture value chains financed by BRD and/or PFIs under production activities and final borrowers will be required to use the insurance scheme whenever applicable and available. More details on this scheme can be found from National Agriculture Insurance Scheme (NAIS).

Matching grants will be available for selected projects as per the matching grant manual. Selection will be done through “call for action” by RAB and the grants would be a percentage of the project cost up to 50%, at the discretion of the approving committee. More details will be made available in the matching grants manual prepared by RAB. Some of the beneficiaries of matching grants might/will be eligible to credit lines and BRD/PFIs are required to assess those requests for approvals.

4.1.1 End-borrowers application and appraisal process by PFIs

The appraisal process of the end-borrowers will start after the PFI receives a complete set of information.

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

- An application is made by an eligible borrower for the sub-loan financing. The application from an interested borrower will be initiated in consultation with the PFI with all the supporting documents.
- The investment officer of PFI will check eligibility and prepares assessment report.
- The investment officer will visit the borrower to assess their creditworthiness.
- The investment officer will finalize the report and present to credit committee.
- The credit committee will approve or reject the sub-loan request.
- If approved, the PFI will share notification letter with the borrower with conditions precedents to sign Sub-loan Agreement (SLA) along with a Key Facts Statement showing clearly and in a detailed manner all terms and conditions of the credit line.
- If all conditions are fulfilled by the borrower, the PFI will sign SLA and disburse sub-loan as per the agreed disbursement schedule. The SLA should have a dedicated clause to commit to E&S standards depending on risk categorization from the project screening or environmental & social impact assessment.
- No disbursement to PFI's sub-project shall be done without comprehensive Environmental Impact Assessment in place where applicable, (based on the significance of the sub-projects considering that we are targeting individual farmers as well).

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

4.1.2 End-borrower Loan agreement suspension by PFIs

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

assets which have or are reasonably likely to have a material impact on its ability to service its loan or continue to participate in the project, the borrower will be suspended.

4.1.3 Interests rate calculation

- **For blended finance:** the PFI will adjust the interest rate by calculating a weighted average rate which is the percentage of the loan at PFI's nominal interest rate plus percentage of the loan at interest rate of CDAT. An example of weighted average interest rate is given below for reference:
 - *Credit exposure of an eligible borrower with PFI: FRW200 Million*
 - *% of the loan financed at PFI's existing interest rate: 10% of the credit exposure i.e. FRW20 Million*
 - *Existing PFI's interest rate: 17%*
 - *% of the loan financed by CDAT fund: 90% of the credit exposure i.e. FRW180 Million*
 - *Interest rate on CDAT fund: 8%*
 - *Weighted average interest rate: = 8.9%*

In the above example, PFI shall adjust its interest rate from 17% to 8.9%.

4.2 Monitoring and evaluation

The achievement of the Project objectives will be measured through indicators summarized on Annex 6. Monitoring of project implementation progress and results indicators, as well as progress towards achievement of the PDO, will be the responsibility of BRD as well as participating entities (PFIs).

BRD will collect data and reports from participating entities and present progress in achieving the key and intermediate indicators to the World Bank on a quarterly basis. The data collection will take place within 15 days after the quarter ends.

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

5 DIRECT LENDING ARRANGEMENTS BETWEEN BRD AND DIRECT INVESTMENT BORROWERS

5.1 FAMERS AND FARMERS ORGANIZATIONS TERMS

TABLE 5. Eligibility criteria

Size of business	Interest rate	Tenor	Grace period	Maximum Loan size for borrowers
All sizes of farmers/farmers' organizations /Agriculture MMSMEs	Blended: 90% of the loans are covered by CDAT resources at the interest rate of 8% 10% of the loans are covered by own funds (BRD) at their respective lending rates	Up to 10 years	Maximum will be 3 years based on the crop, as detailed below	Up to FRW 600 million With a minimum of FRW 50 million

Eligible activities would be as per TABLE 3.

5.1.1 Appraisal of BRD direct investment borrowers – information needed

Eligible famers, farmers 'organizations and agriculture MSMEs willing to apply for the project facilities shall submit below documents to BRD:

- **Loan request letter:** A loan request letter clearly mentioning the loan amount and the purpose of the credit lines requested. The company should avail a notarized copy of the board decision minute regarding decision to take loan from BRD and the authorized person for loan transaction at the time of signing Sub-loan Agreement. These are the conditions precedents before signing the agreement.
- **5-year Business Plan:** A well designed business plan with detail investment plan helps BRD identify the company's plan, strength and weaknesses and the tentative loan amount required to expand their business operations. The business plan should provide year-on-year growth targets, features of the products and services and its price, projected financials (balance sheet, income statement, cash flow statement), Sources of repayment; Information about the industry, sales and marketing strategies, business management and operation plan, organizational structure, potential challenges and mitigation measures, the experience in sector, status of the past operations if existing business, awards and recognitions if any, structure of existing management, etc.
- **Company registration or cooperative registration and other legal documents:** The documents may include company or cooperative registration certificate for farmers' organizations, by laws, memorandum of article of association in case of a company,

organization management and human resource policies if any, procurement guideline if any etc. These documents help BRD understand how the potential borrower is strong in terms of good governance, internal policies and compliance with the legal requirements. The company/cooperative has to be locally registered in Rwanda.

- **Self-declaration of multiple borrowing:** A self-declaration regarding the exiting loan amount borrowed internationally/locally from other banks and financial institutions.
- **Audit Reports or management accounts:** The audit report of last two fiscal years (or the latest available, depending on the operational experience of the firm) showing business turnover, profitability status, balance sheet size etc. to help BRD understand that the company is strong enough in financial soundness. For those firms who are not able to produce an audited report, they can submit unaudited financial statements including management accounts and bank statement if necessary.
- **Bank statements of last one year:** The copy of the bank statements of at least the previous one year. If the company has multiple bank account, the bank statement of all accounts including self-declaration of all bank accounts.
- **Tax clearance certificate:** The certified copy of the last two year's tax clearance certificate (or the latest available, depending on the operational experience of the company) from RRA.
- **Insurance policy:** A comprehensive insurance policy for stock, freight, building and other fixed assets covering all types of risks.
- **Asset valuation report:** The valuation report of entire assets done by an acceptable valuer by their association.
- Copies of land titles for properties to be used as collateral for the project financing;
- Environmental impact assessment (with RDB certificate) wherever necessary and readily available;
- Other requirements as may be determined and required by BRD including a comprehensive Environmental Impact Assessment where applicable considering that CDAT will also finance individual farmers who might not have an EIA approved by authorities, in this case the end borrower is advised and requested to watch potential risks and mitigants by the BD.

P/S: documents vary on case-by-case basis. BRD/PFI may request additional documents and/or forego some of the mentioned documentation based on the risk appetite in the borrower.

BRD direct investment application and appraisal process

BRD's approval process will start when an eligible farmer and farmers' organization submits the request for application to BRD together with required documents

The BRD sub-loan to eligible farmer and farmers' organization will follow the below approval process which will comply the lending procedures established on the BRD credit policy:

- Eligible farmer and farmers' organization will apply for sub-loan amount with required documents.
- The investment officer will assess documents and prepare an assessment report.
- The investment officer will visit the farmer and farmers' organization to assess their capacity, understand the business and confirm the application eligibility.
- BRD will finalize assessment report and share with World Bank for no-objection. The first two (2) sub-loans will be reviewed by World Bank.
- BRD will share the assessment report with risk and legal team for their review.

- The PIU will present the report in credit committee (MICC, Board Credit Committee, full Board of Directors) depending on the size of the sub-loan amount.
- If approved, BRD will share notification letter with the borrower with conditions precedents to sign SLA along with a Key Facts Statement showing clearly and in a detailed manner all terms and conditions of the credit line.
- BRD will sign SLA with the borrower and disburse sub-loan amount following the disbursement schedule. The SLA should have a dedicated clause to commit to E&S standards depending on risk categorization from the project screening or environmental & social impact assessment.

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

5.1.3 Ongoing borrower's performance criteria

An eligible borrower (farmers/farmer's organization/agriculture MSMEs) shall carry out its operations in accordance with project management practices and in conformity with eligibility criteria established herein the credit line manual. During supervision, the World Bank team jointly with BRD will closely monitor the loans performance. The borrower benefiting from the Project shall ensure the following throughout the implementation of the Project:

- Deploy the received funding to eligible purpose and comply with requirements specified in the credit manual and other signed legal documents.
- Shall not contract any other loan without prior knowledge of the lender
- Continued consistency and validity of the information provided to the BRD for the appraisal of the proposal.
- Always maintain adequate insurance coverage with reputable insurers acceptable to the BRD.
- The borrower shall submit to BRD, quarterly progress reports (where deemed necessary and readily available) on the implementation of the sub-project, together with management accounts within 30 days after the end of each quarter (where deemed necessary). The Borrower shall also submit its annual financial statement if provided for in the SLA.
- All legal fees, and other cost associated with the documentation; execution and administration of any loan facility will be for the account of the BEs.
- The borrower shall ensure compliance with obligations under Sub-loan Agreement; Maintenance of required consents, licenses and authorizations; maintain representations and warranties as of date made and until repayment of all amounts due under the Loan Agreement pertaining to the project.
- The borrower shall ensure that there is no material change in nature of business; not to engage in any activities not permitted by its memorandum and Articles of Association and the laws of Rwanda.
- Be able to fund, appraise and manage a portfolio of sales and direct and indirect jobs creation.

5.1.4 BRD Direct investment Loan agreement termination

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

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

5.2 Borrowers (farmers and farmers 'organizations) Loans terms and conditions

5.2.1 General conditions

- BRD direct lending will be activated if:
 - the proposed investment financing has a risk profile that does not fall within the acceptable limit of PFIs (such as start-up businesses and/or low risk appetite to the PFIs);
 - the borrower has already pledged his collaterals with BRD or needs to use BRD partners guarantees funds (ie; FSA, FAGACE, SIDA, etc.).
- Sub-loan for the projects will be extended on a first-come, first-served basis.
- Businesses eligible for BRD direct lending window must have high growth potential to have significant domestic, regional, and international market opportunity. The business having existing credit exposure from BRD will have the right to choose one of both options – continue with BRD or through PFIs.
- The project will finance only the eligible expenditures. These should completely abide with terms and conditions stipulated on the SLA signed with BRD.
- All borrowers should comply with Environmental and Social safeguard compliance.

5.2.2 Credit Risk Aspects

- BRD will assume the full credit risk for all sub-loans directly extended to the eligible direct investment borrowers.
- The actual sub-loan amount will be subject to BRD's credit assessment and the capacity to repay.

- The BRD direct lending will follow a minimum debt-equity ratio of 70 percent (debt) and 30 percent (equity) and/or otherwise approved by the bank's management. The firm might inject equity contribution before the BRD credit facility becomes as approved by the bank. The BRD investment officer will recommend a suitable process for equity injection depending on the nature of the business and the discussions with the firm.
- If a prospect client qualifies for commercial LoC financing and requires an additional loan amount for expansion, then BRD takes responsibility to syndicate the loan; the collateral position of each participating lender will be *pari passu*.
- In the event of a default, BRD will go for the recovery process in accordance with the BRD credit policy and recovery guidelines.

5.3 Repayment terms and conditions

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

- Interest and principal repayments on sub-loan amount would be due monthly or quarterly or, depending on the terms of SLA signed between BRD and the borrower.
- The interest rate arrangements will be reviewed by BRD from time to time and may be adjusted subject to the ongoing credit assessment of the borrower and market conditions to reflect the appropriate credit risks premium.
- The interest repayment on sub-loans during grace period may be capitalized or paid monthly/quarterly subject to the terms of SLA signed with BRD.
- The interest rate will be same irrespective of their financial closure directly through BRD or on-lending through PFIs.

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

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

5.4 Monitoring and evaluation

The BRD Monitoring and Evaluation (M&E) specialist will collect and analyse data on implementation progress for all components and activities. The monitoring and evaluation exercise will be conducted on a continuous basis, and the coordinator in BRD will be the primary source of information.

BRD will submit the progress report to the World Bank. The Results Framework provides a matrix of indicators that will be assessed and the milestones to be achieved during each stage of the implementation period, including the final outcome and intermediate outcome values planned by project completion date for the whole project and for each component.

The M&E Specialist will conduct a review of BRD direct investment portfolio; assessments of project progress against initial target; monitoring the portfolio performance with regards to interest

service, pricing, principal repayment, disbursements, etc. These assessments and findings will include follow-up with end borrowers, including field visits and interviews if deemed necessary.

6 ROLE OF WORLD BANK DURING PROJECT IMPLEMENTATION

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

1. Review and provide no-objection on the credit assessment report prepared by BRD for the first two (2) PFI and first two (2) direct lending before presenting it in the credit committee (MICC and or Board Credit Committee);
2. Review and provide no-objection on the first one (1) Environmental and Social Due Diligence (ESDD) report conducted by the first two PFIs;
3. Supervise that World Bank's Environmental & Social Management System has been duly followed;
4. Supervise the project implementation performance, including financial management aspects;
5. Monitor compliance of procurement of TA component of the project with World Bank's procurement regulations;
6. Technical advice to PIU in day-to-day operational activities.
7. The sub-financing not requiring prior review and all sub-financing approved by the Credit Committees will be supervised on a sampling basis, a-posteriori;
8. Disburse funds as requested. Review of disbursement management and financial flows;
9. Review performance of the PFI loan portfolio during supervision missions;
10. Conduct site visits to observe progress and meet with beneficiaries and borrowers;
11. Review of the internal audit reports, the annual audited financial statements complemented by the operational and performance information reports, the auditor's report, and remedial actions recommended in the auditor's management letters.
12. Discuss and agree with BRD on changes needed in the manual and discuss/address all issues that might impede effective project implementation or compliance with agreed policies and procedures;

The role of BRD PIU

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

- Maintain relationships with relevant stakeholders;
- Conduct project activities and progress reporting to the Project Coordination Team (PCT);
- Appraisal of eligibility of the PFIs and direct lending names.
- Coordination of the implementation of all project components related to BRD.

- Maintaining relationships with PFIs and direct lending names.
- Signing Participating Agreement with PFIs for financing to the end borrowers.
- Signing SLA with borrowers for direct financing.
- Provision of the required TA to PFIs. If required, PIU can hire external consultants (consulting firm) for capacity building activities following Bank procurement regulations
- Provide reports to RAB, BNR, and World Bank necessary for project implementation reviews and take a lead in project impact assessments.
- Ensure integrity of E&S screening, compliance of procurement processes of TA component of the project with Bank procurement regulation and financial management.
- Ensure compliance with World Bank's Anti-Corruption Guidelines and the PPP.

7 ROLE OF PARTICIPATING FINANCIAL INSTITUTIONS

The participating PFIs will on-lend funds to eligible farmers, farmers' organizations and agriculture MSMEs. PFIs will be free to select eligible borrowers on which they are willing to take the credit risk and that fulfills all projects' eligibility criteria. BRD may provide required TA to the PFIs, if such technical facilitation is requested by the PFI. Each PFI shall maintain:

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

Specific PFIs responsibilities include:

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

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

8 ROLE OF FARMERS, FARMERS ORGANIZATIONS AND/OR AGRICULTURE-MSMES:

- Handling all technical aspects of the business;
- Monitoring of compliance with the eligibility criteria and timelines;
- Taking all the necessary actions to facilitate the implementation of environmental and social safeguard practices at their respective levels;
- Sign appropriate service contracts with distributors of goods and services if applicable;
- Ensuring that deliveries to final consumers are made in a timely manner;
- Enable BRD and the World Bank to inspect the Sub-projects, as needed, as well as any relevant records and documents;
- Provide quarterly reports to the BRD/PFI which should include the details of the credit utilization, achievement towards PDO indicators, compliance with environmental and social safeguard aspects, number of female employees in case of an organization, workforce environment, etc.
- Prepare all Project implementation reports specified in the credit line manual on time and with good quality information. Submit to BRD/PFI on agreed reporting dates;
- Keep all necessary records/evidences, as required in the credit line manual;
- At BRD and/or World Bank's request, have the project-related financial statements audited by independent auditors and/or accredited accountants, in accordance with consistently applied auditing standards;
- Submit annual external audits of financial statements (if applicable and relevant) to BRD and/or PFI no later than six months after the end of each financial year. BRD shall submit the external audits to World Bank no later than seven days after it has received from the BE.
- Prepare and furnish to BRD/PFI and the World Bank all information as BRD or World Bank shall reasonably request relating to Project implementation.

9 TECHNICAL ASSISTANCE

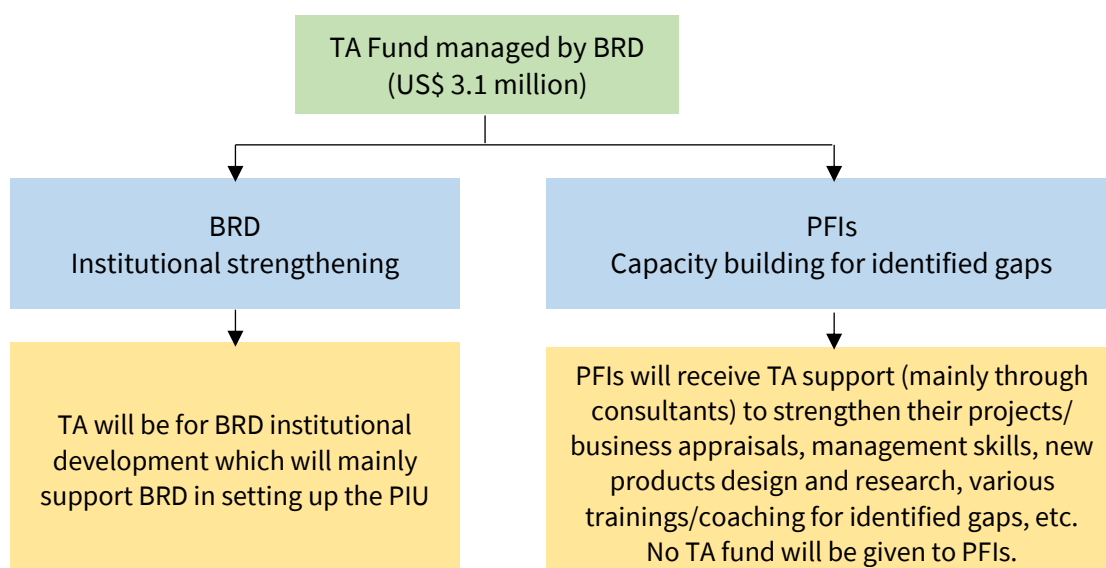
CDAT project will provide technical assistance (TA) to BRD and PFIs. All aspects that are related to smooth implementation of the project will be supported by the TA part. The TA will be limited to new product design, trainings, research, etc. Procurement processes of the TAs should be done following Bank procurement regulations and should be included in the project procurement plan. Procurement methods to be used shall be determined on case-by-case basis consistent with the PSD and Bank procurement regulation.

9.1 Identified needs

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

- Lack of effective Internal capacity building programs within the PFIs
- Lack of quality verified data/information on specific sector of investments to support informed decision-making processes
- Limited skills and capacity to develop project for BRD and/or PFIs personnel
- Limited skills in managing project funds
- Inaccurate reporting practices
- Lack of advanced technologies to meet current needs and trends
- Weaknesses/gaps in various sector value chains
- Limited skills in E&S compliance

FIGURE 3. TA sub-components



9.2 TA for PFIs

BRD will support capacity need assessment of PFIs to identify skills gap and advise on appropriate interventions. The business need assessment will identify challenges in providing credit to agriculture sector which could be address through TA. The TA will improve PFI capabilities and staff knowledge on important processes but also on procedures linked to agriculture sector.

TABLE 6. Below provide indicative scope of the proposed TA to PFIs:

TA SCOPE	PROPOSED TYPE OF TA	DELIVERY MODE
TA for PFIs and capacity building	Training workshops on appraisal process - financial modelling - Credit risk management - projects monitoring and evaluation	Training reports
	Specialized technical consultancies for some of the projects to be financed, management skills, new products design and research, various trainings/coaching for identified gaps	
	Development and design of agriculture finance products	
	Agriculture finance related risks management and mitigation. Risk mitigation by using insurance schemes, credit guarantees etc.	
	Capacity building in various areas that may need coaching and/or any other kind of support to smoothly implement the project	

9.3 Eligibility criteria and requirements

All PFIs that are eligible for Technical Support will receive TA support from BRD. The eligibility criteria will be as follows:

- All financial institutions participating in the project operating in the agriculture sector and associated value chains
- Idea for research and/or product design must demonstrate a developmental impact in the agriculture sector.
- Must not have benefited from the same TA previously in the same project
- Financial institutions that are not participating in the project can still benefit from the TA as long as it supports the pipeline development for credit lines.

The project is targeting the banks, MFIS and SACCOs and their needs differ as their target markets also differ; to ensure the outreach of the project audience is maximized this is mainly MFIs and SACCOs clients, BRD shall deliver tailored group trainings and coaching sessions per PFI's category. MFIs and SACCOs shall have a more elaborate program for the capacity building package. Training materials and modules shall be developed at a later stage. BRD submits overall TA action plan to the World Bank for consultation.

BRD shall leverage on other CDAT components being implemented by RAB and AFIRR, such as insurance schemes and partial credit guarantees to create and raise awareness to the smallholders' farmers that could benefit from these instruments. While BRD intends to strengthen the knowledge and capacity of the smallholder farmers and their organizations, it is important to note that most of the times, their projects are tangible and bankable but lack collaterals. Together with RAB, BRD will work closely with PFIs to reduce credit risk exposure through the use of BDF guarantee, CDAT matching grants and agriculture insurance scheme.

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

10 ENVIRONMENTAL AND SOCIAL RISK, RATING, AND MANAGEMENT

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

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

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

Those standalone documents provide guidance on the management of environmental and social impacts and risks. The documents will be cleared by World Bank and disclosed on BRD website. Based on the screening results, the BRD exclusion list of activities (Annex 2) and the national and donor's E&S requirements, both PFI's and borrowers will be required to prepare, implement and monitor relevant site specific environmental and social instruments like Environmental and Social Impact Assessments (ESIA) or Environmental and Social Management Plan (ESMP) where required based on the E&S risk category of proposed sub-project.

10.1 Implementation arrangement

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

The standards instruments will be executed by various institutions which are directly or indirectly involved in each sub-project. These institutions include World Bank as the lender, MINAGRI/RAB as project coordinating entity, BRD as implementing agency, PFIs and final borrowers as project beneficiaries and other stakeholders like ministries and their respective agencies (REMA, RDB, Districts). World Bank will review and provide no-objection to the developed standards instruments and support and ensure that compliance is achieved as per the requirements of the project standards frameworks.

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

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

During the evaluation process of applications for funding, every PFI will screen the received sub-projects application to assess their E&S risks and impacts during the sub-project appraisal and advise the applicant on the way forward. The E&S Screening checklist is presented on annex 4. Further, BRD's ESMS and CDAT ESMF provide guidance and procedures on how to manage all E&S risk categories (low, medium, and high).

Depending on the sub-project E&S risk category, the PFI will ensure that the borrowers meet both National and World Bank environmental and social requirements. The site specific ESIA or ESMP prepared under the PFI financing will be reviewed and approved by RDB, the national competent authority.

10.2 Monitoring and reporting

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

10.3 Grievance Redress Mechanism

Grievance Redress Mechanisms (GRM) are increasingly important for development sub-projects, where adverse impacts are anticipated. They serve as a way to prevent and address workers or community concerns, reduce risk, and assist larger processes that create positive social change. It will therefore be necessary to establish channels through which aggrieved people could file their complaints to ensure a successful implementation of the sub-project. The GRMs shall be set at sub-project and PFI levels and communicated to concerned workers. Any person among the workers or communities who believes that he/she is adversely affected by a World Bank supported sub-project

may submit complaints to existing sub-project-level Grievance Redress Committee (GRC). The site specific GRC ensures that complaints received are promptly reviewed in order to address project-related concerns. The complaint may be escalated to the higher level if the aggrieved party is not satisfied with the response by the sub-project level GRC.

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

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

11 MONITORING AND EVALUATION OF THE CREDIT LINE

The achievement of the Project objectives will be measured through indicators summarized in Annex 7. The BRD Monitoring and Evaluation (M&E) specialist will collect and analyse data on implementation progress for all components and activities. The monitoring and evaluation exercise will be conducted on a continuous basis, and the coordinator in BRD will be the primary source of information.

BRD will submit the progress report to the World Bank. The Results Framework provides a matrix of indicators that will be assessed and the milestones to be achieved during each stage of the implementation period, including the final outcome and intermediate outcome values planned by project completion date for the whole project and for each component.

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

The implementation support missions will include a review of the project portfolios being direct investment and Onlending to PFIs; assessment of the PFIs' portfolio financed by the project fund; assessments of project progress against initial target; monitoring the portfolio performance with regards to interest service, pricing, principal repayment, disbursements, etc. These assessments and findings will include follow-up with PFIs and final borrowers, including field visits and interviews if deemed necessary.

BRD shall submit a quarterly implementation and financial report to the World Bank in not more than 45 days after the quarter end. BRD monitoring and evaluation shall be guided by the SFA signed between BRD and MINECOFIN.

A semi-annual review would be conducted to assess the effectiveness of the credit line. The findings and recommendations are expected to guide the GoR, BRD, and WB in making the necessary adjustments in the credit line policies to improve its efficacy and decide on the credit line scale-up through allocation of additional resources. Based on the Financing agreement, the unallocated amount of USD40 Million could be added to the Credit line after this review if the previous tranche was utilized successfully and exhausted (if disbursements to end borrowers from both wholesale and direct lending are more than 50% of the approved allocation of US\$15 Million). *On annex 8, there is terms of reference for the review.* The first review could be triggered earlier than six months if the pipeline of the credit line is significantly weaker than anticipated (i.e the pipeline by the end of the first three months remains below 50% of the planned disbursement for the first year of the credit line).

The review would be done by a consultant from the current framework contracts that BRD has for other businesses.

LIST OF ANNEXES

Annex 1: Template for Participating Agreement between BRD and PFI

TERMS AND CONDITIONS OF THE AGREEMENT

This agreement is made by and between the undersigned parties:

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

and

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

Hereinafter also known as **the Parties**.

WHEREAS: under the Financing Agreements dated, between the Republic of Rwanda (“GoR”) and the International Development Association (“World Bank”), the World Bank agreed to provide the GoR with a loan to assist in financing the Commercialization and De-Risking for Agriculture Transformation Project (“CDAT Project”), which is described in Schedule 1 to the Financing Agreement.

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

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

WHEREAS, the World Bank has entered into a Project Agreement with BRD, , in connection with the Financing Agreement for the CDAT Project.

WHEREAS, BRD has agreed to implement component 2, Sub-component 2.1 and a part of Component 3 of the CDAT Project, in accordance with the Legal Agreements.

WHEREAS, BRD having satisfied itself as to the eligibility to participate in the implementation of the CDAT Project, in accordance with the Legal Agreements and the Project Implementation Manual (“PIM”), has offered PFI to assist in the implementation of the component 2 Sub-component 2.1 of the CDAT Project;

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

BRD and PFI hereby agree as follows:

Article 1: definitions

- 1.1 **Acceleration:** Means the BRD or the Lender’s right on and at any time after the occurrence of an Event of Default to cancel the commitment and declare that all or part of the outstanding loan with accrued interest be immediately due and payable.
- 1.2 **Business days:** means a day (other than a Saturday or Sunday) on which banks are open for general business in the Republic of Rwanda.
- 1.3 **Commitment:** means approving funds to eligible Final borrowers through PFI’s existing approval procedures to the extent not cancelled or reduced under the Sub-Loan Agreement.
- 1.4 **Commitment period:** A six (6) month period in which the PFI has to disburse funds to the Final beneficiary following a commitment made by the PFI.
- 1.5 **Credit committee:** An internal body staffed in line with terms and references acceptable to BRD and the World Bank, responsible for the evaluation and approval of all sub-loan applications.
- 1.6 **Default:** means an Event of Default or any event or circumstance specified in Clause titled “Events of Default” which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing) be an Event of Default.
- 1.7 **Disbursement:** Deposit of funds on the final Beneficiary’s designated bank account.
- 1.8 **Disbursement Agreement:** means the agreement signed between PFI and BRD with terms and conditions pertaining to the disbursement of CDAT facility. The agreement will outline the nature of sub-loan borrowing entity and its business activities. The Disbursement Agreement will provide the list of the sub-loan borrowers and the purpose of the sub-loan.
- 1.9 **Disruptive event:** means either or both of:

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

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

- 1.10 **Eligibility criteria:** means borrowers Sub-loan eligibility criteria as set out in the credit line manual
- 1.11 **Event of Default:** means any event or circumstance specified as such in Clause titled “Events of Default”.
- 1.12 **Final Beneficiaries:** means Rwanda based farmers/farmers’ organisations and/or agriculture MSMEs that qualify under the CDAT eligibility criteria.
- 1.13 **Financial Indebtedness:** means any indebtedness for or in respect of:
 - a. moneys borrowed;
 - b. any amount raised by acceptance under any acceptance credit facility or dematerialized equivalent;
 - c. the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as a balance sheet liability;
 - d. receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
 - e. any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
 - f. any amount raised under any other transaction (including any forward sale or purchase agreement) of a type not referred to in any other paragraph of this definition having the commercial effect of a borrowing;
 - g. any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
 - h. any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value (or, if any actual amount is due as a result of the termination or close-out of that derivative transaction, that amount) shall be taken into account);
 - i. the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (h) above.
- 1.14 **Financing Agreements (FAs):** mean the Grant Agreement and Loan Agreement signed between the International Development Association (World Bank) and the Government of

- Rwanda (represented by MINECOFIN) with terms and conditions pertaining to the implementation of CDAT project. Both agreements are signed in foreign currencies.
- 1.15 **GAAP:** means generally accepted accounting principles in Rwanda including IFRS.
- 1.16 **Legal Agreements:** means the Financing Agreements, the Loan Agreement, and the Project Agreements.
- 1.17 **Loan:** means a loan made or to be made under the Facility or the principal amount outstanding for the time being of that loan.
- 1.18 **Material Adverse Effect:** means a material adverse effect on:
- a. the business, operations, property, condition (financial or otherwise) or prospects of the PFI taken as a whole.
 - b. the ability of the PFI to perform its obligations under this Agreement.
 - c. the political situation and other risks (political, economic or otherwise) relating to Rwanda in a manner that would be materially adverse to the Lender (BRD).
- 1.19 **MINECOFIN:** means the Ministry of Finance and Economic Planning, or any successor thereto.
- 1.20 **Month:** means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:
- a. (subject to paragraph (c) below) if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day.
 - b. if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month; and
 - c. if an Interest Period begins on the last Business Day of a calendar month, that Interest Period shall end on the last Business Day in the calendar month in which that Interest Period is to end.
- The above rules will only apply to the last Month of any period.
- 1.21 **Participating Agreement:** mean the agreement signed between BRD and eligible PFIs with terms and conditions pertaining to the implementation of CDAT Project. The Participating Agreement will be signed in local currency.
- 1.22 **Participating Financing Institution (PFI):** means commercial banks/MFIs and/or SACCOs to be selected by the Project Implementing Entity for participation in the Commercialization and De-Risking for Agriculture Transformation (CDAT) project on the basis of the criteria and approval procedures set forth in the credit line manual and in accordance with the provisions of the Project Agreements.
- 1.23 **Pipeline:** means a list of potential eligible sub-projects and the corresponding final beneficiaries to be presented as supporting documents in an application by the PFI to BRD for assessment.
- 1.24 **Project Agreements (PAs):** mean the agreements signed between World Bank and BRD, with terms and conditions pertaining to the project implementation. The agreement shall outline the implementation structure and roles and responsibilities of BRD in the project implementation
- 1.25 **Project Implementing Entity (PIE):** means the Development Bank of Rwanda (BRD).
- 1.26 **Sub-Loan:** A loan made to the Final Beneficiary by the PFI.

- 1.27 **Sub-Loan Agreement (SLA):** means the agreement signed between PFI and Final Beneficiary with financing conditions of on-lending to the eligible sub-projects or businesses. The agreement signed between BRD and Final Beneficiary for direct lending to eligible sub-project or business shall also be represented by an SLA.
- 1.28 **Sub-project:** means the eligible projects financed by BRD directly or on-lending through PFI under financing conditions stipulated on the Sub-loan Agreement (SLA) signed between BEs and BRD/PFI.
- 1.29 **Subsidiary Financing Agreement (SFA):** mean the agreement signed between MINECOFIN and BRD with terms and conditions pertaining to the implementation of Commercialization and De-Risking for Agriculture Transformation (CDAT) project. The SFA will be signed in local currency.
- 1.30 **Term sheet:** means a bullet-point document outlining the material terms and conditions of a potential Sub-Loan Agreement between the PFI and the Final Beneficiary.
- 1.31 **World Bank Anti-Corruption Guidelines:** means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by REF Implementing Entity Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.

ARTICLE 2: SUBSIDIARY FINANCING PURPOSE

- 2.1 BRD approved [insert the name of PFI] as Participating Financial Institution to access the CDAT Line of Credit facility meant for on-lending to Final borrowers.
- 2.2 BRD agrees to on-lend on terms and conditions set forth or referred to in this Agreement to [insert the name of PFI] for the provision of Sub-loans to eligible Final Beneficiaries (as defined in the credit line manual
- 2.3 The PFI shall on-lend Subsidiary Financing exclusively for financing the Sub-projects to Final Beneficiaries.
- 2.4 The principal amount of the wholesale Financing shall be equal to the sum of all sub-loans extended by the PFI to the Final borrowers.

ARTICLE 3: TERMS AND CONDITIONS OF WHOLESALE FINANCING

- 3.1. Sub-loans to PFIs will be disbursed against the term-sheet or application letter from the potential PFI client or equivalent document issued by the PFI to its potential client and the disbursed amount will be equivalent to a 4 month disbursement pipeline. The PFIs will be free to recycle the draw down amount as long as it utilizes the funds within 6 months, in conformity with the guidelines described in this credit line manual. PFIs are required to disburse all the funds received from BRD within a period of 6 months; after the 6 months BRD will be free to recall all uncommitted funds with a 30 days of notice period.
- 3.2. PFI shall receive Wholesale Financing equivalent to the sum of the indicative sub-loan amount as reflected on the term-sheet. Once PFI has fully committed the drawdown tranche received from BRD, the PFI may apply for an additional tranche of Wholesale Financing. The application for additional tranche shall include all required documentation including copy of

Sub-loan Agreement signed with the Final Beneficiary, the term-sheets issued for the additional sub-loans, and the details on how the previous tranche has been used.

- 3.3. Wholesale Financing shall be available only for Sub-loans to be extended to eligible Final Beneficiaries. Financing requests shall be selected, appraised, implemented and evaluated by the PFI, and Sub-loan agreements shall be entered into, all in accordance with the principles, eligibility criteria and procedures set forth in the credit line manual, and all the terms and conditions set out in the Financing Agreements and the Project Agreement, including the obligation to carry out the CDAT Project in accordance with the World Bank Anti-Corruption Guidelines, the World Bank Environmental Safeguard Review Framework
- 3.4. Wholesale Financing shall be denominated in Rwandan Francs (FRW). Interest and other fees payable under this Agreement shall be in FRW.
- 3.5. The available wholesale Financing shall be used based on a drawdown mechanism, where PFI extends the loans to eligible Final borrowers without prior BRD review. PFI loans to Final borrowers with the identical amounts, maturity and grace period shall be extended as follows: An application will be made by the Final borrower to PFI for the loan for their business-related investment. PFI will appraise the eligibility and creditworthiness of the Final borrower as well as the eligibility and feasibility of the related investment. If PFI is satisfied that the Final borrower is creditworthy and the business makes sense, and that all applicable eligibility criteria are met, PFI shall issue a term-sheet to the applicant and submit the Sub-loan for approval by its credit committee, following applicable credit risk appraisal and management procedures. Once the credit committee approves the Sub-loan, PFI shall issue a notification letter with conditions precedents and finally sign the Sub-loan agreement with the Final borrower.
- 3.6. The PFI shall ensure that the criteria established on the credit line manual has been dully followed before extending sub-loans to the Final borrower.

ARTICLE 4: INTEREST CHARGES AND PAYMENTS

- 4.1. The withdrawn and outstanding balance of Wholesale Financing shall bear interest at a rate equal to 4.5% per annum subject to annual monitoring and adjustment based on market conditions and PFI shall extend the loan to Final borrowers at interest rate no higher than 8.0% per annum.
- 4.2. The total interest due by PFI to BRD shall be equal to the sum of interest on withdrawn (for all tranches and extended to the PFI). The interest shall be due quarterly.
- 4.3. Interest for Wholesale Financing shall be paid to the settlement account as specified by BRD.
- 4.4. The interest rates taxable on all overdue amounts shall, in addition, automatically incur default interest at a rate of 4% per month on the amount in arrears without having to notify PFI, in case of failure to honour the due instalment as earlier agreed.
- 4.5. In the event of the restructuring of the loan, BRD shall be entitled to charge a fee equivalent to 3% of the restructured amount plus 18% VAT. The PFI will make a payment equivalent to 50% upfront.
- 4.6. Management Fee: 1.5% per annum on the outstanding principal amount.

- 4.7. Service commission: 1% (one time) on total amount disbursed to the PFI.

ARTICLE 5: REPAYMENT OF PRINCIPAL

- 5.1. PFI shall repay the principal amount of Wholesale Financing due in accordance with the amortization schedule set forth in the respective Disbursement Agreements.
- 5.2. PFI shall repay the principal amount of Wholesale Financing plus interest after a grace period of three (3) years counted from the date each disbursement is effective.
- 5.3. After the grace period, PFI shall repay the entire disbursed tranche plus interest on a quarterly basis for a period of twelve (10) years.
- 5.4. PFI shall repay the Wholesale Financing or any portion thereof before the agreed due date upon demand being made by BRD:
- a. if PFI Sub-loan or any portion thereof has been prepaid by the Final Beneficiary.
 - b. if PFI fails on a due date to repay any part of the Subsidiary Financing, or to pay interest thereon, or to make any other payment due.
 - c. if PFI or a Final Beneficiary ceases to exist.
 - d. if this Agreement is terminated by BRD or by PFI in accordance with terms and conditions set in this Agreement.
 - e. if PFI does not cause the Final Beneficiary to follow procedures, as specified in the PIM.
 - f. if any information or document related to this Agreement concerning PFI or PFI's Sub-loans proves to have been untrue or incorrect; and/or if any given information concerning the Final Beneficiary proves to have been knowingly incorrect; or if PFI in said cases did not make reasonable efforts to check the correctness of information.
- 5.5. The repayments of principal shall be due quarterly basis to the settlement account as specified by BRD.

ARTICLE 6: LOAN TENURE

The loan is repayable within ten (10) years and up to three (3) years grace period from the date of each disbursement of wholesale financing. The Parties shall specify the loan repayment period and grace period in the disbursement contract.

ARTICLE 7: DISBURSEMENTS

- 7.1. The disbursement on each portion of Wholesale Financing shall be made upon signing the respective Disbursement Agreement.
- 7.2. PFI shall submit a disbursement request letter specifying the amount requested, list of the Final Beneficiaries, and the bank account to which the disbursement should be made. Each request letter should have been supported by the term-sheet duly signed between PFI and its prospective Final Beneficiary.
- 7.3. For all expenditures with respect to which withdrawals from the Bank Loan Account and the BRD Designated Account were made on the basis of statements of expenditure, PFI shall:

- a. maintain records and accounts reflecting such expenditures, including evidence collected from the Final borrowers showing that the Sub-loan proceeds were used exclusively for eligible expenditures.
 - b. retain until at least three years after BRD and the World Bank has received the audit report for the fiscal year in which the last withdrawal from the Bank's Loan Account or payment out of the Designated Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
 - c. enable BRD and the World Bank's representatives to examine such records with prior notice; and
 - d. ensure that such records and accounts are included in the annual audit referred to in Auditing and Accounting provision of this Agreement and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.
- 7.4. If BRD or the World Bank shall determine at any time that any payment: (a) was not made for an eligible expenditure or was made in an amount not eligible; or (b) was not justified by the evidence furnished to BRD, the PFI shall, promptly upon notice from BRD: (i) provide such additional evidence as BRD or the World Bank may request; or (ii) deposit into the Account specified by BRD an amount equal to the amount that was not eligible or not justified.

ARTICLE 8: SECURITY

In consideration of the BRD agreeing to extend loan facilities to PFI, the PFI

- a) will not create or permit to subsist any Security Interest on the whole or any part of its present or future assets. (Negative pledge).
- b) Shall sign a promissory note for each disbursement.

ARTICLE 9: ELIGIBILITY CRITERIA

- 11.1. The PFI shall ensure that it continues to meet the eligibility criteria at all times as assessed annually, including:
- **Compliance with prudential regulations issued by the BNR** – the bank must be in good standing with the BNR always and observe all other applicable laws and regulations. The PFI compliance to prudential financial metrics shall also be observed. NB: In case if the PFI deviates from any prudential metric, a plan to reverse the trend shall be submitted by the PFI to BRD for review and approval by BRD subject to the World Bank no-objection.
 - **Management and good governance** – “fit and proper” owners, directors and managers; adequate Board composition and practices; competent management with adequate managerial autonomy; adequate organization and institutional capacity for its specific risk profile; satisfactory staff capacity and managerial autonomy to carry out its role in the project. Board-approved maturity gap limit assessed periodically. Regular stress testing.
 - **Capital adequacy** – compliance with BNR regulations (i.e. minimum capital of 15 percent calculated as the ratio of total capital to total risk weighted assets).

- **Adequate liquidity** – compliance with BNR regulations (i.e. minimum Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) of 100 percent), limits to maturity gaps approved by the Board and periodically measured, and regular stress testing.
- **Adequate profitability** – positive profitability, well diversified income structure and stable earnings trend. Well-managed cost structure.
- **Adequate credit policy**, including internal rules for reliable appraisal of mortgaged properties
- **Operational capacity** – sufficient capacity to serve SME client and participate in the Project; ability to track loans by sector, firm size, and financing type (CAPEX, OPEX, WC).
- **Acceptable risk profile** – effective Asset and Liability Management Committee (ALCO), well-defined policies and written procedures for management of all types of financial risks (liquidity, credit, currency, interest rate and market risk, as well as risks associated with balance sheet and income statement structures); adequate organizational and institutional capacity for its specific risk profile.
- **Adequate collateral** - the PFI should be ready to provide promissory note and or negative pledge or any other collateral acceptable to BRD as part of the collateral support.
- **Adequate asset structure and portfolio quality** – acceptable asset structure including concentration; lending to connected parties; effectiveness of loan underwriting; asset classification and provisioning; level of NPLs and collection practices.
- **Adequate internal audit** – independent internal audit function with well-defined procedures, annual internal audit plans, regular reviews of all key risk management functions and follow-up on issues raised in internal audit reports.
- **Undertake annual external audits** by reputable auditors and according to international auditing standards.
- **Adequate MIS system and well-organized IT support, with adequate internal controls and security policies** – the IT support should be based on relational database management system providing good accounting and bookkeeping, and adequate system-software support for transaction processing and all banking and risk management functions.
- **Allow authorized BRD representatives on a need-to-know basis access to privileged and confidential information** necessary to appraise whether the bank meets and/or continues to meet the agreed qualification criteria.
- **Agree to devote adequate resources to the Project**, to establish and maintain an adequately staffed credit appraisal/management group and credit risk committee, and to join any available Project-related training.
- **Agree to comply with the project's Environmental and social standards requirements**, including developing and adopting a comprehensive Environmental and Social Management System (ESMS) to guide the process of carrying out E&S due diligence on final beneficiaries and sub-project appraisals as well as for supervising sub-projects implementation.
- **Appropriate Implementation Capacity** –to verify and document agreed lending criteria, maintain files opened for inspection during supervision reviews, and deliver regular reporting as defined by the Participation Agreement
- **Support for energy efficient** or climate friendly capital investment will be actively considered and of great advantage.

- 11.2. PFIs that deviate from the eligibility criteria stated above may be considered for participation wherever a credible commitment to achieve compliance in the form of a time-bound action plan has been prepared by the PFI, submitted to BRD, is deemed satisfactory and receives a World Bank no-objection.
- 11.3. PFI shall enable BRD and/or the World Bank to receive, as needed, information on the following:
 - a. Externally audited financial statements meeting IFRS standards for the previous two years, including external audit opinion and recommendations.
 - b. Un-audited financial statements as of the last six months, or as late as they are available. These should specifically include balance sheet, income statement, asset classification and provisioning levels.
 - c. Names of its significant owners holding more than 10% of shares. Summary information for each significant owner including connected parties – individuals or other companies.
 - d. Organizational chart and governance structure. Names of and brief CVs of key senior managers.
 - e. Risk management related committees and bodies.
 - f. Copy of policies, procedures and Operations Manuals related to lending and credit risk management.
 - g. Detailed information on loan classification (all five categories). Details on loan loss provisions and collateral coverage for substandard, doubtful and loss categories.
 - h. Dealing with substandard and doubtful loan clients. Collection on collateral.
 - i. Internal audit manual. Internal audit schedule and samples of internal audit reports. Examples of follow-up to recommendations from internal audit reports and from external auditors. Examples of reporting to senior management.
 - j. Quarterly reports submitted to BNR.

ARTICLE 10: IMPLEMENTATION REQUIREMENTS

- 12.1. BRD shall provide, promptly as needed, the funds, facilities, services and other resources required for the implementation of the project. PFI shall maintain, with terms of reference satisfactory to BRD and the World Bank:
 - a. A technical unit to be responsible of the appraisal of credit applications received from the prospective Final Beneficiaries. The technical unit shall be staffed with qualified staff in adequate numbers and provide, promptly as needed, loans, services and other resources required for effective Project implementation; and
 - b. A credit committee to be responsible for the evaluation and approval of Sub-loan applications.
- 12.2. PFI shall exchange views with and furnish all information to BRD and the World Bank, as may be reasonably requested by BRD and the World Bank, with regard to the progress of its activities concerning participation under the CDAT Project, the performance of its obligations under this Agreement, and other related matters. PFI shall promptly inform BRD

of any condition which interferes or threatens to interfere with the progress of its activities under this Agreement.

ARTICLE 11: LENDING PRACTICES

- 13.1. PFI is obliged to carry out its lending activities and conduct its operations and affairs in accordance with appropriate financial standards and practices, with qualified management and staff in adequate numbers, and in conformity with the investment and lending policies and procedures referred to in this Agreement, the Legal Agreements, credit line manual, and other legal instruments related to implementation of the CDAT Project.
- 13.2. PFI shall follow procedures set forth in the credit line manual and exercise its rights in relations to each such Sub-loan in such manner as to protect its interests and the interests of BRD and the World Bank.
- 13.3. PFI shall supervise, monitor and report on details, according to sound banking practices and following procedures set forth in the credit line manual
- 13.4. PFI shall:
 - a. suspend or terminate the right of a Final Beneficiary to use the proceeds of a Sub-loan extended by PFI, or accelerate or obtain a refund of all or any part of the amount of said Sub-loan, upon the Final Beneficiary's failure to perform any of its obligations under the related Sub-loan Agreement or to comply with the provisions of (i) the World Bank Anti-Corruption Guidelines applicable to recipients of loan proceeds ("World Bank Anti-Corruption Guidelines") and the Environmental Safeguard Review Framework.
 - b. For Sub-loans require each Final Beneficiary to: (i) carry out its obligations under the Sub-loan Agreement with due diligence and efficiency; (ii) for businesses operate in accordance with sound technical, economic, financial, managerial, environmental and social safeguard practices satisfactory to BRD and the World Bank; (iii) procure the goods, and services to be financed out of said Sub-loan Agreement in accordance with the credit line manual (iv) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with indicators acceptable to BRD, the progress of the Sub-project and the achievement of its objectives; (v) enable the BRD and the World Bank to inspect the utilization of borrowed funds and any relevant records and documents; and (vi) prepare and furnish to the BRD all information that they shall reasonably request.

ARTICLE 12: ACCOUNTING AND AUDITING

- 14.1. PFI shall maintain separate records and accounts adequate to reflect in accordance with the regulator of PFI for the CDAT and sound accounting practices the operations. PFI shall:
 - a. Have its financial statements and Project related records and accounts audited each fiscal year, in accordance with international financial reporting standards or applicable national accounting and financial reporting standards, by independent auditors as prescribed by the BNR.

- b. Furnish to BRD as soon as available, but in any case, not later than six months after the end of each year, the external audit report, of such scope and in such detail as the World Bank and BRD shall have reasonably requested; and
- c. Furnish to BRD other information concerning records and accounts and the audit thereof as the World Bank and BRD shall reasonably request.

ARTICLE 13: EVENTS OF DEFAULT

- 15.1. Each of the events or circumstances set out in this provision Clause is an Event of Default, save for provision on Acceleration.
- 15.2. If PFI does not pay on the due date any amount payable pursuant to this Agreement at the place and in the currency in which it is expressed to be payable unless:
 - a. its failure to pay is caused by:
 - i. administrative or technical error; or
 - ii. a Disruption Event; and
 - b. payment is made within five Business Days of its due date.

ARTICLE 14: ELIGIBILITY CRITERIA AND OTHER OBLIGATIONS

- a. Any requirement of the eligibility criteria provision is not satisfied.
- b. PFI does not comply with any provision of this Agreement (other than those referred to in the eligibility criteria).
- 15.3. Any representation or statement made or deemed to be made by PFI in this Agreement or any other document delivered by or on behalf of PFI under or in connection with this Agreement is or proves to have been incorrect or misleading in any material respect when made or deemed to be made.

ARTICLE 15: CROSS DEFAULT

- a. Any Financial Indebtedness of PFI that is undisputed is not paid when due nor within any originally applicable grace period.
- b. Any Financial Indebtedness of PFI is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default that is not disputed (however described).
- c. Any commitment for any Financial Indebtedness of PFI is cancelled or suspended by a creditor of the PFI as a result of an event of default (however described).
- d. Any creditor of the PFI becomes entitled to declare any Financial indebtedness of PFI due and payable prior to its specified maturity as a result of an event of default (however described).
- e. No Event of Default will occur under this provision if the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (a) to (d) above is less than the current total outstanding debt to BRD.

ARTICLE 16: INSOLVENCY

- a. PFI:
 - i. is unable or admits inability to pay its debts as they fall due.
 - ii. suspends making payments on any of its debts. or
 - iii. by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors (excluding BRD in its capacity as such) with a view to rescheduling any of its indebtedness.
- b. The value of the assets of PFI is less than its liabilities (taking into account contingent and prospective liabilities).
- c. Commences insolvency proceedings.

16.1 CESSATION OF BUSINESS

If PFI suspends or ceases to carry on (or threatens to suspend or cease to carry on) all or a material part of its business.

16.2 LITIGATION

Any litigation, arbitration, administrative, governmental, regulatory or other investigations, proceedings or disputes are commenced or threatened, or any judgment or order of a court, arbitral body or agency is made, in relation to this Agreement or against the PFI or its assets which have or are reasonably likely to have a Material Adverse Effect.

ARTICLE 17: MATERIAL ADVERSE CHANGE

Any event or circumstance occurs which BRD reasonably believes has or is reasonably likely to have a Material Adverse Effect on the ability of the PFI to operate as a business.

17.1 ACCELERATION

On and at any time after the occurrence of an Event of Default BRD may:

- a. by notice to PFI:
 - i. cancel the Commitment whereupon it shall immediately be cancelled.
 - ii. declare that all or part of the Loans, together with accrued interest, and all other amounts accrued or outstanding under this Agreement be immediately due and payable, whereupon they shall become immediately due and payable; and/or
 - iii. declare that all or part of the Loans be payable on demand, whereupon they shall immediately become payable on demand of BRD; and/or
- b. exercise any or all of its rights, remedies, powers or discretions under this Agreement.

ARTICLE 18: TRANSPARENCY

18.1 In order to assure the transparency of information, BRD shall publicize the CDAT Project implementation related information on its website.

18.2 PFI agrees to supply to BRD information necessary for impact evaluation semi-annually. This shall include information on sub-loan beneficiaries, including information on sub-loan beneficiaries, and other information that BRD may reasonably request.

ARTICLE 19: SETTLEMENT OF DISPUTES

The Parties shall use their best efforts to settle amicably all disputes arising out of or in connection with this Agreement or the interpretation thereof. Any dispute between the Parties as to matters arising pursuant to this Agreement which cannot be settled amicably within thirty (30) days after receipt by one Party of the other Party's request for such amicable settlement may resolved in accordance by competent courts of Rwanda.

ARTICLE 20: GOVERNING LAW

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by Rwanda Law.

ARTICLE 21: TERMINATION OF THE AGREEMENT

21.1 This Agreement shall be terminated upon successful completion of the project. It may be terminated earlier if suspended or terminated by the Parties.

21.2 PFI may, by submitting 60 days prior written notice of termination to BRD, terminate this Agreement at any point.

21.3 BRD may, by written notice of suspension to the PFI, initiate suspension of this Agreement:

- a. If PFI fails to be compliant with eligibility criteria and all applicable policies and procedures specified in the credit line manual.
- b. If PFI fails to maintain the appropriate financial standards and lending practices, with qualified management and staff in adequate numbers.
- c. If PFI is found to breach the established eligibility rules for clients and projects, further disbursements and access to new funding will be suspended until the PFI has fully refunded the sub-financing related to the ineligible loans and procurements.
- d. If PFI utilizes the funds for ineligible expenditures, it shall be asked to refund all PFI-financed amounts that have been improperly used. Failure to address the issue and/or refund by a given deadline would result in suspension.
- e. If PFI fails to perform any of its obligations under this Agreement, or any of the obligations specified in the credit line manual related to procurement, environmental screening, or other World Bank requirements set out in the Legal Agreements, it shall be asked to correct the mistakes by a certain deadline, or else refund all amounts that have been improperly used. Failure to address the issue and/or refund by a given deadline would result in full suspension.
- f. If PFI fails to pay the interest and principal payments for longer than 60 days, it shall be asked to make a reimbursement by a certain deadline. Failure to cover full interest and principal due by a given deadline would result in suspension.

- g. If PFI becomes insolvent, or shows negative profitability, it will be given a deadline to improve its capital and/or financial position, or else the PFI-funded credit portfolio will be moved to BRD or another bank which continues to meet the criteria. Such a bank will be selected on a competitive basis. The insolvent bank will be suspended.
- h. If PFI fails to continue to be in compliance with applicable legal and regulatory requirements applicable to its operations.

21.4 BRD suspension notice shall specify the reasons for suspension and, in cases when the reason for suspension can be addressed, it may specify potential remedies. If, upon receiving a suspension notice from BRD, PFI fails to remedy the reason for suspension in the period of 60 days, BRD may terminate the Agreement by written notice of termination to the PFI.

21.5 Upon termination of this Agreement the parties' rights and obligations under this Agreement will survive the termination, were applicable, with respect to PFI's financial obligations as per the provisions on the payment of accrued interest, other charges, repayment of the principal loan and lending practices as specified under this Agreement.

ARTICLE 22: NOTICE, AND REPRESENTATIVES

22.1 Any communication to be made under or in connection with this Agreement shall be made in writing and, unless otherwise stated, may be made by email or letter.

22.2 BRD represented by its Chief Executive Officer:

Development Bank of Rwanda

P.O. Box 1341

Kigali, Rwanda

Authorized Representative: **Chief Executive Officer**

22.3 The PFI, represented by:

Address for the PFI is: P.O. Box, Street, Kigali, Rwanda

Authorized Representative: **Chief Executive Officer**

22.4 Electronic communication

- a. Any communication to be made between any two Parties under or in connection with the Agreement may be made by electronic mail or other electronic means (including, without limitation, by way of posting to a secure website) if those two Parties:
 - i. notify each other in writing of their electronic mail address and/or any other information required to enable the transmission of information by that means; The above-mentioned email is to be considered as the official electronic mail address for purposes for communication regarding this Agreement and
 - ii. notify each other of any change to their address or any other such information supplied by them by not less than five (5) Business Days' notice.
- b. Any such electronic communication as specified in paragraph (a) above made between any two Parties will be effective only when actually received (or made available) in readable form.

- c. Any electronic communication which becomes effective, in accordance with paragraph (b) above, after 5:00 p.m. in the place in which the Party to whom the relevant communication is sent or made available has its address for the purpose of this Agreement shall be deemed only to become effective on the following day.
- d. Any reference in Agreement to a communication being sent/received shall be construed to include that communication being made available in accordance with this provision.

22.5 English language

- a. Any notice given under or in connection with this Agreement must be in English.
- b. All other documents and correspondences provided under or in connection with this agreement must be in English.

ARTICLE 23: PARTIAL INVALIDITY

If, at any time, any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under any law, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

ARTICLE 24: REMEDIES AND WAIVERS

No failure to exercise, nor any delay in exercising, on the part of BRD, any right or remedy under the Agreement shall operate as a waiver of any such right or remedy or constitute an election of affirmation. No election to affirmation on the part of BRD shall be effective unless it is in writing. No single or partial exercise of any right or remedy shall prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in Agreement are cumulative and not exclusive of any rights or remedies provided by law.

ARTICLE 25: ASSIGNMENTS AND TRANSFERS BY BRD

BRD may assign any of its rights or transfer by novation any of its rights and obligations, under this Agreement to another financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets and PFI shall promptly upon demand enter into such documentation as BRD may reasonably request in connection effecting any such assignment or transfer provided, however, that PFI shall have no greater obligations or liabilities under this Agreement nor any of its rights or benefits hereunder diminished as a result of such transfer and assignment.

PFI may assign any of its rights or transfer by novation any of its rights and obligations, under this Agreement to another bank or financial institution or other entity similar institution with notice to BRD and BRD shall promptly upon demand enter into such documentation as PFI may reasonably request in connection effecting any such assignment or transfer provided, however, that BRD shall

have no greater obligations or liabilities under this Agreement nor any of its rights or benefits hereunder diminished as a result of such transfer and assignment.

Prior to BRD giving its approval to such assignment, an assessment will be conducted to determine if the assignee institution meets the eligibility criteria associated with the project mentioned above.

ARTICLE 26: CONTRACT DOCUMENTS AND ORDER OF PRECEDENCE

26.1 The following documents (“Contract Documents”) between BRD and PFI shall be read and construed as an integral part of this Agreement:

- a. Legal Agreements
- b. Environmental and Social Management Framework (ESMF)
- c. Environmental and Social Commitment Plan (ESCP)
- d. Environmental and Social Management System (ESMS)
- e. Stakeholder Engagement Plan (SEP)
- f. Labor Management Plan (LMP)
- g. The credit line Manual
- h. This Agreement, including the Appendix and notifications hereunder.

26.2 In the event of any ambiguity or conflict between the Contract Documents listed above, the order of precedence shall be the order in which the Contract Documents are listed above.

ARTICLE 27: ENTIRE AGREEMENT

This Agreement contains the entire agreement and understanding between the parties, superseding all prior contemporaneous communications, representations, agreements, and understandings, oral or written, between the parties with respect to the subject matter hereof. This Agreement may not be modified in any manner except by written amendment executed by each party hereto.

TAKING EFFECT

THIS AGREEMENT TAKES EFFECT FROM THE DATE OF ITS SIGNATURE.

Done in three original copies, Kigali, on

For the BRD

**[name of the person]
Company Secretary & General Counsel**

**[name of the person]
Chief Executive Officer**

Witness

**[name of the person]
Head of Business Development**

For and on behalf of the PFI

**[name of the person]
Company Secretary**

**[name of the person]
Chief Executive Officer**

Witness

**[name of the person]
[position]**

Annex 2: BRD list of excluded activities/businesses

The project will not finance the following sub-projects:

- Production or trade in any product or activity deemed illegal under the host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, etc.
- Trade in animals, plants or any natural products not complying with the provisions of the CITES convention.
- Production or trade in weapons and munitions and armed related activities;
- Production or trade in tobacco.
- Gambling, casinos and equivalent enterprises.
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where BRD considers the radioactive/nuclear source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibers and other non-permitted chemicals and polluting substances. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets more than 2.5 km in length and fishing using electric shocks and explosive materials.
- Any operation leading to or requiring the destruction of a critical habitat (both natural and modified habitat or ecologically sensitive areas), or high conservation value areas or any forestry project which does not implement a plan for improvement and sustainable management.
- Production or trade in wood or other forestry products other than from sustainably managed forests.
- Activities which may affect adversely sites of cultural or archaeological significance.

- Production or sale of strong alcohol intended for human consumption.
- Transboundary trade in waste or waste products, unless compliant with the Basel Convention and the underlying regulations.
- Trade in goods without required export or import licenses or other evidence of authorization of transit from relevant countries of export, import and, if applicable, transit.
- Drug and human trafficking
- Any criminal or outlawed activities
- Any business prohibited by laws and regulations
- Terrorism and money laundering activities.
- Production or activities involving harmful or exploitative forms of forced labor/harmful child labour.
- Companies linked to tax evasions.
- Any trade related to pornography or prostitution.

A reasonableness test will be applied when the activities of the project company would have a significant development impact. In addition to BRD's exclusion list above, following sub-projects shall not be eligible for financing:

- Any sub-projects involving non-eligible expenditures;
- Any sub-projects affecting international waterways, natural habitats and disputed areas or indigenous peoples;
- Any sub-projects involving the conversion or degradation of forest areas;
- Any sub-projects involving the involuntary taking of land or involuntary resettlement resulting in relocation or loss of shelter, loss of assets or access to assets, loss of income sources or means of livelihood, or involving the involuntary restriction of access to legally designated parks and protected areas;
- Any sub-projects involving the construction or rehabilitation of dams;
- Any sub-projects that finance Excluded Expenditures, as set forth in the Environmental and Social Commitment Plan.

Annex 3: Standard Template for Disbursement Agreement between BRD and PFI

DISBURSEMENT AGREEMENT NO /202 ... /CS&GC

This Agreement is made by and between the undersigned parties:

THE DEVELOPMENT BANK OF RWANDA "BRD" PLC, a Public Company Limited by Shares, with an authorized share capital of 150,000,000,000 FRW, incorporated on August 5, 1967, company code N° 100003547, whose head office is in Kigali, Postal Office Box 1341 Kigali, hereby officially represented by **[insert the name of the person]** and **[insert the name of the person]**, Company Secretary & General Counsel and the Chief Executive Officer respectively, in accordance with the powers conferred to them by the Board of Directors, hereunder referred to as **"BRD"**, on the one part,

and

[Insert the name of the PFI], a public company limited by shares, duly incorporated in Rwanda with company code n° [insert the code], whose head office is at [insert the officer address], Rwanda, hereby officially represented by **[insert the name of the person]**, Chief Executive Officer, hereinafter referred to as the “**PFI**”, on other hand;

Herein collectively referred to as the “**Parties**”, each a “**Party**”.

WHEREAS, the Parties entered into a Participating Agreement dated [insert the date of the Agreement signed with PFI] (“Participating Agreement”) for the purpose of Commercialization and De-Risking for Agriculture Transformation Project.

WHEREAS, PFI submitted a disbursement request dated [insert the date] for extending sub-loans of [insert the total sub-loan amount requested] to [insert the number of sub-loans/Final Beneficiaries] namely [insert the name of the Final Beneficiaries] under Commercialization and De-Risking for Agriculture Transformation Project hereinafter referred to as the “**CDAT Project**”.

WHEREAS, BRD has issued disbursement notification letter with [insert reference number] dated [insert the date] to the PFI subject to fulfilment of the conditions for disbursement stated therein.

WHEREAS, disbursing the funds, the Parties shall be relying on the terms and conditions set forth in the Participating Agreement, which shall be binding on the Parties.

WHEREAS, the Participating Agreement states that BRD shall sign the Disbursement Agreement with the PFI indicating the amount of individual sub-loans and its purpose.

Now, therefore, in consideration of the premises above and the mutual agreements set forth herein the parties agree as follows:

ARTICLE 1: APPROVAL OF DISBURSEMENT

Following the issuance of disbursement notification letter and fulfilment of the conditions for disbursement stated therein by the PFI, the Parties have mutually agreed on the **first (1st)** disbursement of sub-loans amounting to FRW [insert the first disbursement amount] to be strictly utilized as sub-loans for Final borrowers operating throughout the country for the activities in line with the credit line manual.

Details of the sub-loans

SN	Sub-loan Borrower	Sub-loan amount	production/post-harvest	Purpose
1		FRW		
2		FRW		
3		FRW		
4		FRW		
5		FRW		
...		FRW		
Total		FRW		

ARTICLE 2: ACCOUNT DETAILS

The parties agree that the sub-loan for a sum of [insert the amount] shall be disbursed by BRD in favour of above sub-loan borrowers through the account details mentioned below:

Account Name: [insert the account name of the PFI]
Account No.: [insert account number of the PFI]
Bank name: [insert the bank name where the account of the PFI is opened]

ARTICLE 3: SUB-LOANS TERMS AND CONDITIONS

- 3.1. PFI shall disburse the Sub-loans strictly to the Final borrowers stated in the above table.
- 3.2. PFI shall commit all the funds received from BRD within a period of 6 months. BRD shall have right to call back any uncommitted funds with a prior notice of 30 days after the expiry of a 6-month commitment period.
- 3.3. PFI shall take full credit risks for all the Sub-loans extended to the Final borrowers.
- 3.4. The repayment from PFI shall be on equal quarterly installment (diminishing balance) payment basis, except for the first 3 years of grace period.
- 3.5. BRD after the disbursement is made shall issue an amortization schedule to PFI indicating the payment due date, repayment amount (interest plus principle amount), beginning and ending balance, and the BRD bank account to which the repayment amounts shall be deposited. The PFI is required to repay the loan on each due date.
- 3.6. The PFI shall repay interest amount during grace period on a quarterly basis as stipulated on the disbursement schedule shared by BRD.
- 3.7. BRD shall issue a revised amortization schedule if any uncommitted funds have to be called back or if PFI makes prepayment of part of the loan amount.
- 3.8. The sub-loan shall have a duration of 10 years including up to a 3 years of grace period from the date of disbursement made.
- 3.9. BRD shall charge the interest and fees and commission on the sub-loan following the conditions stipulated on the Article 3 of the Participating Agreement.

ARTICLE 4: LOAN TENURE

The loan is repayable within ten (10) years and up to three (3) years grace period from the date of each disbursement of wholesale financing. The Parties shall specify the loan repayment period and grace period in the disbursement contract.

ARTICLE 5: DUE AUTHORIZATION

[insert the name of the person], Chief Executive Officer of the PFI shall represent as an authorized representative to execute necessary documents for the sub-loans to be extended to the eligible sub-loan beneficiaries.

ARTICLE 6: ENTIRE AGREEMENT

The Participating Agreement, disbursement notification letter, and this Agreement shall constitute the entire agreement of the parties regarding the subject matter hereof and supersedes all prior

agreements and understandings, both written and oral, between the parties concerning the subject matter hereof.

ARTICLE 7: DEFINED TERMS

Terms in this Agreement which are capitalized but not defined shall bear the respective meanings given to them in the Participating Agreement.

ARTICLE 8: COMMENCEMENT

This Agreement shall commence from the date of its signature by both parties. This Agreement has been executed by the Parties on the date signed below.

Done in three original copies, Kigali, on

For the BRD

**[insert name of the person]
Company Secretary & General Counsel**

**[insert name of the person]
Chief Executive Officer**

For the PFI

**[insert name of the person]
Chief Executive Officer**

Witness

From BRD

From the PFI

**[insert name of the person]
[insert position]**

**[insert name of the person]
[insert position]**

Annex 4: Borrower E&S Safeguard Screening Form/Checklist (for BRD portfolio)

Section 1 : Applicant/Project General information

Project/business basic information:

Project Investment name [type here]
Location [type here]
Estimated cost (US\$) [type here]

Type of project or business activity:

- Y Construction materials
- Y Light Manufacturing
- Y Agro-processing
- Y Hotel and Restaurant
- Y Transportation sector
- Y Fitness Centers
- Y Retail vendors
- Y Other: [Specify]

Please provide more details: [type here]

Section 2: Screening questions

Section N°	Screening Questions	Answer		Comments
		Yes	No	
A	Exclusion list of activities			
	Does the project/Business have activities reflected in the Apex-FI exclusion list ?			
B	Bio-physical Environment			
	Is the project/Business site adjacent to or within Natural habitats or legally protected areas (wetlands, forests, buffer zones, nature reserves)?			
	Is the project/Business located on agricultural land?			
	Is there an existing stream, river or lake in the proximity to the site?			
	Will the project generate waste products (including liquid or solid wastes)?			
	Will there be any dumping sites for solid and liquid wastes?			
	Will sediments or wastes be prevented from entering water bodies?			
	Will vegetation or trees be removed or any surface left bare?			
	Will quarries or borrow pits be developed or operated under the project?			
	Will the project/Business develop boreholes to tap ground water?			
	Will the project/Business involve significant excavations, demolition, and movement of earth?			
	Will Project activities pose risks to endangered species?			
	Will the Project involve significant extraction, diversion or containment of surface or ground water? For example, construction of dams, reservoirs, river basin developments?			

	Will the Project generate potential adverse transboundary or global environmental concerns?			
	Will the Project pose a risk of introducing invasive alien species?			
	Will the proposed Project result in significant greenhouse gas emissions or may exacerbate climate change?			
	Will the proposed Project involve the application of pesticides that may have a negative effect on the environment or human health?			
	Does the Project include activities that require significant consumption of raw materials, energy, and/or water?			
	Is the project site prone to landslides or flooding or located in proximity to a seismic zone			
	Will the proposed Project be susceptible to or lead to increased vulnerability to landslides, erosion, flooding or extreme climatic conditions?			
C	Community Health, Safety and Working Conditions			
	Will elements of Project construction, operation, or decommissioning pose potential safety risks to local communities?			
	Will the Project pose potential risks to community health and safety due to the transport, storage, and use and/or disposal of hazardous or dangerous materials (e.g. explosives, fuel and other chemicals during construction and operation)?			
	Will failure of structural elements of the Project pose risks to communities? (e.g. collapse of buildings or infrastructure)?			
	Will there be social conflict in case of labour force hired from other region?			
	Will the project result in increased cases of Gender based violence, sexual exploitation abuse or other sexual issues?			
	Will the project create major noise/vibration?			
	Will the Project result in potential increased occupational health risks (e.g. communicable infections such as Covid-19, HIV/AIDS, etc)?			
	Will safety measures be in place to protect the workforce (PPE, fire-fighting and spill-clean-up materials / chemicals available for use at the site like, sand, detergent, acid, alkali, etc)?			

	Does the Project pose potential risks and vulnerabilities related to occupational health and safety due to physical, chemical, biological, and radiological hazards during Project construction, operation, or decommissioning?			
	Does the Project involve employment that may fail to comply with national labour law?			
	Will the Project enforce the principle of equal opportunity and fair treatment among workers and there will be no discrimination with respect to any aspects of the employment relationship, such as recruitment and hiring, compensation (including wages and benefits), working conditions and terms of employment, access to training, job assignment, promotion, termination of employment or retirement, etc ?			
	Will the project prevent child labour and forced labour throughout its implementation period?			
	Does the Project engage security personnel that may pose a potential risk to the safety of communities and/or individuals (e.g. due to a lack of adequate training or accountability)?			
	Will the project put in place measures to avoid or minimize the potential for community exposure to occupational health and safety risks (ie diseases, accidents, etc) ?			
	Will the project put in place measures to address emergency events ?			
D	Cultural Heritage			
	Is the project/Business site located on or near a Cultural heritage site?			
	Is the project/Business located on unique or aesthetically valuable land?			
	Will project cause encroachment on historical/cultural/religious areas?			
E	Displacement and Resettlement			
	Will the Project potentially involve temporary or permanent and full or partial physical displacement?			
	Will the Project possibly result in economic displacement (e.g. loss of assets or access to resources due to land acquisition or access restrictions – even in the absence of physical relocation)?			

	Is there a risk that the Project would lead to forced evictions?			
	Would the proposed Project possibly affect land tenure arrangements and/or community-based property rights/customary rights to land, territories and/or resources?			
	Is this land enough for the project implementation or more land will be acquired			
	Will the project put in place mechanisms to handle grievances associated with its activities?			
F	Stakeholder engagement, Gender equality and Grievance management			
	Will the project put in place mechanisms to handle grievances associated with its activities?			
	Is there a likelihood that the Project would exclude any potentially affected stakeholders from fully participating in decisions that may affect them?			
	Is there a risk that the Project would exacerbate conflicts among and/or the risk of violence to project-affected communities and individuals?			
	Would the Project potentially produce discriminations against women based on gender, especially regarding participation in design and implementation or access to opportunities and benefits?			
	Will local communities or individuals be given the opportunity to raise their concerns regarding the Project during the stakeholder engagement process?			

Section 3: Proposed control/mitigation measures

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

.....

Section 4: Conclusion/Recommendation

Which course of action do you recommend in reference to Rwandan regulation and World Bank ESSs?

- Full ESIA
- Partial ESIA (ESMP)
- Environmental and Social Audit (ESA)
- No further environmental assessment required

In line with safeguard requirements of development institutions (if any), what do you recommend?

- Willing seller-willing buyer approach

Y Other (Specify)

Section 5: Evaluator details

Name: [type here]

Position: [type here]

Date: [type here]

ANNEX 5: Tranche utilization reporting template

SN	Sub-loan Borrower	Sub-loan amount	Business sector/ sub-sector	CDAT participation	Facility type	Tenor & moratorium	Purpose
1		FRW					
2		FRW					
3		FRW					
4		FRW					
5		FRW					
...		FRW					
Total		FRW					
•		•	•	<ul style="list-style-type: none"> The purpose should be specific activity done i.e acquisition of storage facilities, acquisition of drying machine, etc... Business sector should be production and/or post harvest 			

Annex 6: Project Monitoring and Evaluation Plan

Indicator Name	Definition/Description	Frequency	Data source	Methodology for Data Collection	Responsibility for Data Collection
PDO Indicators					
Increase in number of borrowers obtaining agricultural loans from participating financial institutions	Annual growth of the agriculture loan portfolio.	Annual	Reports from banks, MFIs, SACCOs	Reports from banks, MFIs, SACCOs Data collected by PIUs/PFIs reporting	BRD PIU
Number of loans provided by FIs through the line of credit of which for female farmers and female-led organizations	Bi-annual count of agriculture & agribusiness loan approvals under the credit line	Bi-annual	Reports from financial institutions to BRD	Data collected by PIUs/PFIs reporting	BRD and RAB-SPIU
Non-Performing Loan (NPL) ratio of the Credit Line portfolio of FIs	Bi-annual count of nonperforming agriculture and agribusiness loans under the credit line.	Bi-annual	Reports from financial institutions to BRD	BRD/PFI reporting	BRD and RAB-SPIU
Intermediate Results Indicators					
Indicator name	Baseline	End targets			
Number of microenterprises receiving loans under the project (cumulative)	0	150			
of which for female farmers and female-led organizations (Number)	0	45			
Non-Performing Loan (NPL) ratio of the Credit Line portfolio of FIs (Percentage)	0	5%			

ANNEX 7. M&E reporting template

S/N	Name of borrower	Date loan contracted	Loan Amount (FRW)	Amount disbursed (FRW)	Loan Tenure (in Month)	Grace Period (in Month)	O/s Loan Amount (FRW)	Interest Rate (%)	Purpose of the Sub-loan	Size of the business (MSME, individual farmer, or farmer organizations)	New or existing borrower	# employees	% female employees	Portfolio classification
1														
2														
3														

Annex 8: Terms of reference for the firm to review the credit line performance

DRAFT Terms of Reference for Consulting Services to Assess the CDAT Credit Line

1. Background

Despite its critical importance for economic development and poverty reduction, the Rwandan agriculture sector lacks sufficient access to financial services – below 5 percent of the agricultural GDP. To help address this challenge, the Government of Rwanda (GoR), with the World Bank (WB) support, designed the Commercialization and De-risking for Agricultural Transformation (CDAT) Project to increase the use of irrigation and commercialization among producers and agribusiness firms, and to increase access to agricultural finance. The credit line in Subcomponent 2.1 of the project was designed as a pilot and learning initiative that can be scaled up for the development and sustainable growth of the agriculture finance market, complementing other initiatives that seek to support agro-processors, such as via the Access to Finance for Recovery and Resilience (AFIRR) project. The pilot focuses on production finance and post-harvest finance for commercialization including via long-term affordable financing through blending private capital from Participating Financial Institutions (PFIs) with the credit line resources. Initially, the blending ratios will include bigger Government share to offer affordable terms, but in order to place the product on a sustainable basis, the blending ratio will be revised progressively with a gradually reduced government share towards market rates via a learning and review process on the product design including this initial assessment.

2. Objective

The objective of this consultancy is to assess the effectiveness of the credit line. The findings and recommendations are expected to guide the GoR, the Development Bank of Rwanda (BRD - credit line manager), and WB in making the necessary adjustments in the credit line policies to (1) improve its efficacy, (2) ensure the progress towards achieving the Project Development Objective (PDO), and (3) decide on the credit line scale-up through allocation of additional resources.

The selected consulting firm will conduct the review and submit the report to GoR and WB within 30 days after six months from the start of the Credit line (or when the review is triggered). If the credit line is under-disbursed, a similar review will be conducted according to this ToR six months after the revision of the Credit Line manual based on the first review. The review will rely upon the CDAT Project Appraisal Document (PAD), Project Implementation Manual (PIM), Credit Line Manual, BRD/PFI data and reports, and interviews with:

- BRD officials
- PFIs
- Non-participating financial institutions (Commercial banks, MFIs and SACCOs)
- Others as needed.

3. Deliverables

- Inception report that contains a detailed work plan and suggestions for the ToR (One week after the signing of the contract)
- Draft report (four weeks after the signing of the contract)
- Final report (one week after receiving comments from BRD and WB. The report must be submitted within 30 days after six months from the start of the Credit line). The report will be in a word or PowerPoint presentation format.

4. Outline of the report

A report including, but not limited to:

- Executive summary
- Performance of the credit line
 - Disbursement data in value (RWF) and volume (# of loans)
 - Wholesale lending from BRD to PFIs segmented by Banks, MFIs, and SACCOs
 - Onlending from PFIs to end borrowers segmented by production/post-harvest, commodities (rice, maize, vegetables etc.), borrowers (farmers, cooperatives etc), and gender.
 - Direct lending from BRD to end borrowers segmented by production/post-harvest, commodities (rice, maize, vegetables etc.), borrowers (farmers, cooperatives etc), and gender.
 - Pipeline data in value (RWF) and volume (# of loans)
 - Wholesale lending from BRD to PFIs segmentation by Banks, MFIs, and SACCOs

- Onlending from PFIs to end borrowers segmented by production/post-harvest, commodities (rice, maize, vegetables etc.), borrowers (farmers, cooperatives etc), and gender
 - Direct lending from BRD to end borrowers segmented by production/post-harvest, commodities (rice, maize, vegetables etc.), borrowers (farmers, cooperatives etc), and gender
 - Interest rates
 - Interest rates charged by PFIs and BRD for the end borrowers
 - Lowest, highest, and average by each PFI and segmented by major borrower categories
 - Fees charged by the PFIs
 - Use of guarantees and insurance
 - % of the sub loans covered (by value and the number of loans by PFI / BRD)
- Performance against the target (Intermediate indicators: Number of loans provided by financial institutions through the line of credit (Number) and female borrowers)
- Analysis – Reasons for high/low uptake
- Market assessment – market for the expansion of the credit line (e.g. Potential PFIs and their pipelines, and potential increase of the loan portfolios of the existing PFIs)
- Other observations
 - Impact on the existing agriculture lending activities in the market
 - Lessons-learned from the PFIs and BRD
- Recommendations
 - Necessary changes in the Credit Line Manual to improve uptake and achievement of the PDO
 - Projection towards market-based interest rates

5. Scope of work

- The review will involve the below tasks:
 - Gather and present the Credit Line performance data following the above outline.
 - Compare the disbursement and pipeline of the Credit Line against the intermediate indicators and estimate the future disbursement.
 - Investigate the reasons for over- or under-disbursement based on the interviews with PFIs, non-PFIs, and the BRD staff.
 - Assess the potential market for the expansion of the credit line.
 - Suggest recommendations to improve the Credit Line.

