



ECONOMIC RECOVERY FUND OPERATIONAL GUIDELINES

Ministry of Finance and Economic Planning

May 2020



Contents

I. Introduction	2
II. Allocation of available financing as at end May 2020	2
III. General terms and conditions	3
IV. Specific terms and conditions: Hotel Refinancing Window	3
V. Specific terms and conditions: Working Capital/Line of Credit	4
VI. Specific terms and conditions: Microbusinesses Window	6
VII. Specific terms and conditions: Guarantee scheme	7
VIII. Additional Measures	8
IX. Governance of the Economic Recovery Fund	8

I. Introduction

The Government of Rwanda established the Economic Recovery Fund to support the recovery of businesses hardest hit by COVID19 so they can survive, resume operations and safeguard employment, thereby cushioning the economic effects of the pandemic.

These guidelines have been designed to operationalise the Fund as approved by Cabinet in its meeting of 30 April, 2020.

II. Allocation of available financing as at end May 2020

Window	Amount (Frw)
Hotel Refinancing	50,000,000,000
Working Capital: Large Corporate	30,000,000,000
Working Capital: SMEs	15,000,000,000
SME Guarantee Scheme	3,000,000,000
Working Capital: Micro businesses (MFIs)	1,000,000,000
Working Capital: Micro businesses (SACCOs)	2,000,000,000

III. General terms and conditions

	Window 1 Refinancing of Hotels	Window 2 Lending Working Capital/Line of Credit	Window 3 Guarantee scheme (SMEs and Micro business)	Window 4 Lending Working Capital Micro businesses
Fund manager	NBR	NBR	BDF	NBR (PLC MFIs) BDF (SACCOs)
NBR to Banks/BDF				
Rate	0%	2%	0%	0%
Tenor	15 years	5 years	10 years	2 years
Grace period	3 years	1 years	10 years	3 months
Collateral	None	None	None	None
Banks to borrowers				
Rate	5%	8%	0.25%	8%
Tenor	15 years	Max 5 years		Max 2 years
Grace period	3 years	1 year		3 months

IV. Specific terms and conditions: Hotel Refinancing Window

1. This window is available to existing hotel borrowers pre-COVID19;

2. The basis for the refinancing will be existing hotel loan balances as at 31 May 2020 (or on the date of the refinancing – latest data available);
3. Only performing loans qualify for the refinancing - loans should have been classified as class 1 or 2 as at end February 2020;
4. The facility will refinance at least 35% of the outstanding balances (exact amount to be determined after banks confirm the actual amounts due from hotels);
5. The National Bank of Rwanda will establish the processes and procedures for periodic reporting to monitor performance of these facilities.

V. Specific terms and conditions: Working Capital/Line of Credit

To cover working capital as well as lines of credit for expenses such as repairs and restoration of premises or equipment after the lockdown, investment in technology solutions to enhance productivity and efficiency to address lessons learnt from the lockdown (e.g. creating online distribution channels).

Eligibility criteria: This window of the Fund is available:

1. To bank customers who demonstrate the negative impact of COVID19 on their operations proven by at least 50% year-on-year reduction in turnover (January-May 2020 vs January - May 2019) based on VAT returns submitted to the RRA;
2. Priority should be given to;
 - a. Borrowers that demonstrate the expected impact of the Fund in recovery of business turnover to at least 75% of pre-COVID19 levels;
 - b. Borrowers that demonstrate the impact of accessing the Fund on preserving jobs or creating new ones;
 - i. Number of employees pre-COVID19 (as evidenced by PAYE and Social Security Returns);*
 - ii. Expected jobs that will be retained or created post COVID19 as a result of accessing this Fund;*

- c. Borrowers that demonstrate increased fiscal contribution from accessing the Fund through jobs preserved and increasing turnovers that will result in increase in tax payments (VAT, PAYE, Income Tax etc.);
3. Businesses that commenced operations after May 2019 may be considered on an exceptional basis to the extent that they can demonstrate their contribution to economic development as well as the negative impact on their operations proven by at least 50% reduction in turnover based on VAT returns submitted to the RRA (January-May 2020 vs August - December 2019);
4. If the borrower had existing facilities/loans, they should have been performing as at end February 2020 (class 1 or 2)
5. Borrowers should present RRA tax clearance certificates as at end February 2020 as evidence of good tax standing prior to COVID19;
6. Debt sustainability to be assessed on a case by case basis by the banks;
7. Applications to the Fund will remain open for a period of 2 years;

Allocation of the Fund among participating banks and to borrowers:

8. Only solvent and liquid banks will qualify to access the Fund;
9. Funds will be allocated to banks based on their share of total assets as at 31 March 2020;
10. Borrowers may access up to Frw 75 million under the SME window and Frw 300 million for the Large Corporates window – subject to the Bank’s single obligor limit and the borrower’s repayment capacity;
11. In order to serve as many customers as possible, borrowers should only be allowed to access financing under the ERF Working Capital Window once;

Fund management: The National Bank of Rwanda as Fund Manager will:

12. Establish processes and procedures that will allow financial institutions to check and confirm that customers have not yet been financed under this facility;

13. Establish processes and procedures describing the required documentation to be submitted alongside the disbursement request and modalities of their submission;
14. Establish the processes and procedures for reporting on Economic Recovery Facilities.

VI. Specific terms and conditions: Microbusinesses Window

Eligibility criteria: The Fund is available to customers of MFIs and SACCOs:

1. The borrower should be a legally registered business – company, cooperative, sole proprietor;
2. Demonstrate the negative impact of COVID19 on their operations proven by at least 50% year-on-year (January-May 2020 vs January - May 2019) losses based on VAT returns submitted to the RRA;
3. For borrowers that are not eligible for VAT registration, any other demonstration of the negative impact of COVID19 on their business may suffice;
4. Borrowers should present RRA tax clearance certificates as at end February 2020 as evidence of good tax standing prior to COVID19;
5. If the borrower has existing loans, they should be classified as performing as at end February 2020;
6. No borrower should access the funds more than once;
7. The National Bank of Rwanda will establish processes and procedures that will allow financial institutions check and confirm that customers have not yet been financed under this facility;

Allocation of the Fund among participating MFIs/SACCOs and to borrowers:

8. Lending will be through Limited Liability MFIs (to be managed by BNR) and SACCOs (to be managed by BDF);

9. Funds will be allocated among participating and eligible institutions based on their share of sector total assets as at 31 March 2020;
10. Only solvent and liquid institutions as at 31 March 2020 will qualify for the facility;
11. Borrowers may access up to Frw 5 million in Limited Liability MFIs and Frw 1 million in SACCOs subject to the PFIs single obligor limit and the borrower's repayment capacity;

Fund management: The National Bank of Rwanda as Fund Manager of financing provided to MFIs and BDF as Fund Manager of financing provided to SACCOs will:

12. Establish processes and procedures that will allow financial institutions to check and confirm that customers have not yet been financed under this facility;
13. Establish processes and procedures describing the required documentation to be submitted alongside the disbursement request and modalities of their submission;
14. Establish the processes and procedures for reporting on Economic Recovery Facilities.

VII. Specific terms and conditions: Guarantee scheme

1. Funds will be disbursed directly to BDF;
2. BDF will provide guarantee cover up to 75% of loans granted by banks and MFIs;
3. BDFs commission to customers will not exceed 0.25%;
4. BDF will establish the processes and procedures for reporting on guarantees granted as well as any payments made against guarantees that were called by Participating Financial Institutions (PFIs).

VIII. Additional Measures

1. Funds may be reallocated from Participating Financial Institutions (PFIs) with low utilisation levels to those that demonstrate high demand. The Economic Recovery Fund Steering Committee will assess this continuously;
2. PFIs should put in place adequate measures to ensure that funds disbursed are only put to use for the purpose for which they were provided and not diverted;
3. A Monitoring and Evaluation Team will be constituted to continually assess that financing provided under this scheme is not diverted;
4. Any borrowers found to have diverted the financing provided will be sanctioned and penalised accordingly.

IX. Governance of the Economic Recovery Fund

Economic Recovery Fund High Level Steering Committee

Members

1. Minister - Ministry of Finance and Economic Planning (Chair)
2. Minister - Ministry of Trade and Industry
3. Chief Executive Officer - Rwanda Development Board
4. Governor - National Bank of Rwanda
5. Chief Executive Officer - Private Sector Federation
6. Chairman - Rwanda Bankers' Association

The Committee will meet at least quarterly to;

- Assess the performance of the Fund;
- Assess the economic impact of the Fund;
- Decide on the allocation of additional funding as and when it becomes available;
- Approve any proposed amendments for refining the performance of the Fund;
- Approve any proposed sanctions for borrowers or PFIs that may have abused the Fund;

Economic Recovery Fund Technical Steering Committee

Members

1. Ministry of Finance and Economic Planning (Chair)
2. Ministry of Trade and Industry
3. Rwanda Development Board
4. National Bank of Rwanda
5. Private Sector Federation
6. Rwanda Bankers' Association
7. Association of Microfinance Institutions of Rwanda
8. BDF

The Committee will meet at least monthly to;

1. Review performance of the Fund with regard to;
 - a. Amounts disbursed, by which institution, to which borrowers, in which sectors;
 - b. Performance of the borrowers with regard to loan repayment, classification and provisions, if any;
 - c. Performance of the borrowers in terms on turnovers, number of employees and taxes paid;
2. Monitoring of borrowers to ensure proper use of Funds by organising site visits and any other monitoring procedures as may be deemed necessary;
3. Consider allocation of Funds amongst banks based on usage and propose to the High Level Steering Committee for approval;
4. Assess and advise when terms and conditions may need to be reviewed;
5. Assess and advise when sanctions may be required in case of abuse;
6. Any other tasks that may be necessary to ensure the proper functioning of the Fund.

Definitions

- Large Corporate: Company or Cooperative annual turnover of more than Frw 500 million;
- Small and Medium Enterprises (SMEs): Company or Cooperative with annual turnover between Frw 20 million to Frw 500 million;
- Microbusiness: Company or Cooperative with annual turnover of less than Frw 20 million.