



# National Bank of Rwanda Banki Nkuru y'u Rwanda

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*The Governor*

**Our/Ref: 3000 /2020 - 04931/0010BNR[ 902.4 ]**

Kigali, June 2, 2020

**Chief Executive Officer/Managing Director:**

- **I&M Bank Plc**
- **Access Bank Rwanda Plc**
- **AB Bank Rwanda Ltd**
- **Urwego Bank Plc**
- **Zigama CSS**
- **Bank of Africa Rwanda Plc**
- **Cogebanque Plc**
- **Ecobank Rwanda Plc**
- **PLC MFI's, All**
- **GT Bank Rwanda Plc**
- **Equity Bank Rwanda Plc**
- **Banque Populaire du Rwanda Plc**
- **Development Bank of Rwanda Plc**
- **NCBA Bank Rwanda Plc**
- **Unguka Bank Plc**
- **Bank of Kigali Plc**
- **KCB Rwanda Plc**

Dear Sir/Madam,

**RE: Economic Recovery Fund (COVID-19 ERF)**

Reference is made to the Cabinet resolutions of 30 April 2020 establishing the Economic Recovery Fund (COVID-19 ERF) as well as the subsequent operational guidelines issued by the Ministry of Finance and Economic Planning;

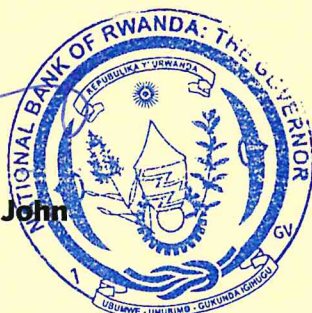
It is against this background that the National Bank of Rwanda has issued the attached Directive n° 0300 /2020 - 00015[613] governing the operationalisation of the Fund through Banks and Limited Liability Microfinance Institutions.

The objective of the Fund is to support businesses 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.

The Central Bank looks forward to your continued collaboration in contributing towards the recovery of the economy from the effects of the COVID19 pandemic as well as the measures put in place to curb its spread and impact.

Yours Sincerely,

**RWANGOMBWA John  
Governor**





**The Governor**

**DIRECTIVE No 0300/2020-00015 [613] OF THE NATIONAL BANK OF RWANDA  
DETERMINING REQUIREMENTS FOR ACCESSING THE ECONOMIC RECOVERY  
FUND (ERF) BY BANKS AND LIMITED MICROFINANCE INSTITUTIONS**

**PREAMBLE**

Pursuant to Law N° 48/2017 of 23/09/2017 governing the National Bank of Rwanda (NBR) especially in its Articles 6, 8, 9, 10, 27 and 32;

Pursuant to cabinet resolution of 30/04/2020 establishing the Economic Recovery Fund (ERF) and entrusting NBR to manage the fund;

Considering that the National Bank of Rwanda is among government institutions at the forefront to fighting and mitigating potential impact of the COVID-19 pandemic on the financial sector as well as on the Rwandan economy in general;

Considering that, the ERF envisions to support businesses that were severely hit by the COVID-19 pandemic;

The National Bank of Rwanda hereinafter referred to as the "Central Bank" decrees:

**Article One: Purpose and Scope of this Directive**

This Directive aims at establishing terms and conditions for accessing the ERF.

**Article 2: Definitions**

In this Directive unless the context otherwise requires, the following terms shall mean:

- 1° **Large Corporate:** a company or cooperative with annual turnover of more than FRW 500 million
- 2° **Micro business:** company, cooperative with annual turnover of less than FRW 20 million
- 3° **Participating Financial Institution (PFI):** a bank and Limited Microfinance Institution as defined in this Directive
- 4° **Small and Micro Enterprise(SME):** company or cooperative with annual turnover between FRW 20 million to FRW 500 million;



### **Article 3: General conditions for ERF**

The financing under the ERF shall be open to PFIs for a period of two (2) years from the date of signature of this directive.

To be eligible for this facility, a PFI shall meet the following general conditions:

- 1° Is extending loans to businesses negatively affected by the COVID 19 pandemic;
- 2° Is adequately capitalized as required by the capital adequacy regulations, unless the Central Bank decides otherwise;
- 3° Is in compliance with liquidity requirements;
- 4° Any other conditions deemed necessary by the Central Bank.

### **Article 4: ERF facility windows**

The ERF shall support businesses in the following business windows:

- 1° **Hotel Refinancing window** – refinances hotels negatively affected by COVID 19;
- 2° **Working Capital/Line of Credit window** - finances large corporates and SMEs to cover working capital needs 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);
- 3° **Micro businesses window** - finances limited MFIs client's micro businesses negatively affected by COVID 19.

Public and Publicly guaranteed institutions or strategic government projects are excluded from this facility;

### **Article 5: Conditions for Hotel Refinancing Window**

The following conditions shall apply for the Hotel Refinancing Window:

- 1° Borrowers shall access these facilities through banks;
- 2° The facility is open to hotel borrowers from banks;
- 3° Banks access funds from the Central Bank at zero interest rate (0.0%);
- 4° The tenor of the facility is fifteen (15) years and grace period is three (3) years for banks receiving funds from the Central Bank;
- 5° Banks shall refinance at least thirty five percent (35%) of their existing performing portfolio of Hotel loans at an interest rate that shall not exceed five percent (5.0%);
- 6° The refinanced portion of the hotel loans shall be exceptionally restructured with a tenor of at least fifteen (15) years with a three (3) years grace period;
- 7° Facilities to be refinanced should have been granted prior to the COVID 19 pandemic and outstanding loan balances as at 31 May 2020;
- 8° The loan should have been classified as performing as at end February 2020 (class 1 or 2).

### **Article 6: Conditions for Working Capital/Line of Credit Window**

Allocation of the Fund among participating banks and to borrowers shall be as follows:

- 1° Borrowers shall access these facilities through banks;

- 2° Funds will be allocated to banks based on their share of total assets as at 31 March 2020;
- 3° 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;
- 4° In order to serve as many customers as possible, borrowers should only be allowed to access financing under the ERF Working Capital Window once;

**Eligibility criteria - this window is available to:**

- 1° Bank customers who demonstrated 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;
- 2° Priority should be given to;
  - a. Borrowers that demonstrated the expected impact of the Fund in recovery of business turnover to at least 75% of pre-COVID19 levels;
  - b. Borrowers that demonstrated 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 demonstrated 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 business as demonstrated by auditable negative trend in their turnovers as a result of COVID19;
- 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 COVID 19;
- 6° Debt sustainability to be assessed on a case by case basis by the banks;

The following conditions shall apply for the Working Capital or Line of Credit:

- 1° Banks shall access funds from Central Bank at an interest rate of two percent (2.0%);
- 2° Tenor of the facility will be five (5) years with a grace period of one (1) year for banks receiving funds from Central Bank;
- 3° Banks shall grant loans to SMEs at an interest rate of eight percent (8.0%), tenor of five years (5) and grace period of one (1) year;
- 4° Borrowers shall be determined as Large Corporates or SMEs based on their 2019 annual turnovers declared to the RRA for purposes of Corporate Income Tax (CIT);
- 5° Borrowers can only access this fund once across the sector;

**Article 7: Conditions for Microbusiness Window**

Allocation of the Fund among participating banks and to borrowers shall be as follows:



- 1° Lending will be through Limited Liability MFIs;
- 2° Funds will be allocated among participating and eligible institutions based on their share of sector total assets as at 31 March 2020;
- 3° Only solvent and liquid institutions as at 31 March 2020 will qualify for the facility;
- 4° Borrowers may access up to Frw 5 million in Limited Liability MFIs subject to the PFIs single obligor limit and the borrower's repayment capacity;

**Eligibility criteria- this window is available to:**

- 1° borrowers legally registered business – company, cooperative, sole proprietor;
- 2° borrowers that demonstrated 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° borrowers that are not eligible for VAT registration, any other demonstration of the negative impact of COVID19 on their business may suffice;
- 4° borrowers that presented RRA tax clearance certificates as at end February 2020 as evidence of good tax standing prior to COVID19;
- 5° borrowers whose loans were classified as performing ( class 1 and 2) as at end February 2020;

**The following conditions shall apply for the Micro business window:**

- 1° This window is available through Limited MFIs who shall access funds from Central Bank at an interest rate of 0.0%;
- 2° Tenor of the facility is 2 years and grace period is three (3) months for PFIs receiving funds from this window;
- 3° PFIs under this window grant loans to their customers at an interest rate of eight percent (8%) for a tenor of two years (2) and grace period of 3 months;
- 4° Borrowers can only access this fund once across the sector;
- 5° Where applicable, borrowers should present RRA tax clearance certificates (as of pre-coronavirus lockdown) as evidence of good tax standing.
- 6° No borrower should access the funds more than once;

**Article 8: Application for pre-approval of the ERF**

Borrowers shall submit their loan applications to PFIs which shall subsequently analyse and approve those that meet the above criteria, demonstrate sufficient ability to repay and provide sufficient collaterals and any other additional requirements deemed necessary for risk mitigation.

PFIs will then submit a list of qualifying loans to the Central Bank for pre-approval. The Managing Director/Chief Executive Officer of the applicant's PFI shall submit the application to the Governor of the Central Bank in writing between Monday and Friday during business hours.

The letter of application shall be accompanied by a document describing the eligibility criteria stated in article 5, 6 and 7 of this Directive and any other information deemed necessary.

**Article 9: Assessment of the application and Central Bank approval**

The Central Bank shall assess the application and notify its decision to the applicant PFI within a period of seven (7) working days subject to that the application file being complete.

In the event that the application is approved, the PFI will be notified to disburse the agreed amount to the borrower.

**Article 10: Application for refund of disbursed amount**

After pre-approval by the Central Bank, PFI will disburse the amount to the beneficiary and then submit the proof of disbursement to borrowers or refinancing to hotels as evidence against which the Central Bank will credit the bank's account at the Central Bank as well as the Limited MFI's account in banks. In addition, banks that refinanced hotels shall submit the restructuring evidence of the refinanced portion.

The Central Bank reserve the right to request additional information evidencing the disbursement or refinancing.

**Article 11: Day convention for interest amount calculation**

In case a facility is subject to interest, the day convention shall be Actual/364.

**Article 12: Repayment of the facility to the Central Bank**

Funds received under ERF shall be amortized on a monthly basis and interest calculated on the outstanding balance. Interest amount due to NBR, where applicable, will accrue during the grace period.

On the due date, a bank that borrowed from this facility shall have its account automatically debited the owing amount. A Limited Liability MFI that does not have an account in the Central Bank shall avail a Permanent Standing Order to its bank on behalf of the Central Bank.

**Article 13: Penalties for defaulting bank on ERF**

If the beneficiary bank fails to settle on due, date, because of insufficient amount on its account at the Central Bank, the later shall impose a penalty of up to 50 basis points at each additional day.

**Article 14: Additional measures**

The following are additional measures:

- 1° PFIs should put in place adequate measures to ensure that funds disbursed are only used for the purpose for which they were provided and not diverted in non-permissible businesses;
- 2° Funds may be reallocated from Participating Financial Institutions (PFIs) with low utilisation levels to those that demonstrate high demand.





**Article 15: Reporting to the Central Bank**

A PFI shall submit the periodic reports to Central Bank to monitor performance of these facilities as per the reporting templates annexed to this Directive.

**Article 16: Repealing provisions**

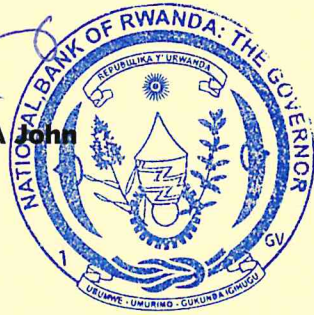
Any instrument or prior provision contrary to this Directive is hereby repealed.

**Article 17: Commencement**

This Directive shall come into force on the date of its signature.

Kigali, on 02/06/ 2020

**RWANGOMBWA John**  
**Governor**



**ANNEX 1: Template for reporting loans granted on Hotel Refinancing window**

No	Contract ID	Bank name	Borrower names	Legal person/ Natural person	TIN for Legal person/ ID number for Natural person	Name of hotel	Location of the hotel (District)	Location of the hotel (Sector)	Gender M: Male F: Female	Amount Refinanced (in RWF)
1										
2										
3										
4										
5										
6										
7										
...										

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Disbursement date DD/MM/YYYY	Interest rate (%)	Tenor (in Months)	Moratorium if any (in Months)	Maturity date DD/MM/YY	Repayment periodicity (Monthly, quarterly..)	Total Loan outstanding (March 2020)	Class (March 2020)	Total Loan outstanding (Dec 2019)	Class (Dec 2019)
1									
2									
3									
4									
5									
6									
7									
...									



**ANNEX 2: Template for reporting loans granted under the Working Capital, Line of Credit window and Micro businesses Window**

No	Contract ID	Institution name(Bank/MFI/ U_SACCO)	Borrower's names	Natural person/ Individual	TIN natural persons/ number for Individuals	Gender M: Male F: Female	Business segment of the borrower	Business location (District)	Loan application type	Sector of activity
1										
2										
3										
4										
5										
6										
7										
...										

Continued

No	Amount of loan granted	Disbursement date DD/MM/YYYY	Interest rate (%)	Tenor (in Months)	Moratorium if any (in Months)	Maturity date DD/MM/YYYY	Repayment periodicity (monthly, quarterly..)	Total Loan outstanding (Mar 2020)	Class (March 2020)	Total Loan outstanding (Dec 2019)	Class (Dec.2019)
1											
2											
3											
4											
5											
6											
7											