



CREDIT NUMBER 5548-RW

Financing Agreement

(Transformation of Agriculture Sector Program Phase 3)

between

REPUBLIC OF RWANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated *November 11, 2014*

CREDIT NUMBER 5548-RW

FINANCING AGREEMENT

AGREEMENT dated November 11, 2014, entered into between REPUBLIC OF RWANDA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to sixty-five million, nine hundred thousand Special Drawing Rights (SDR 65,900,000) (variously, “Credit” and “Financing”), to assist in financing the program described in Schedule 1 to this Agreement (“Program”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement. All withdrawals from the Financing Account shall be deposited by the Association into an account specified by the Recipient and acceptable to the Association.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%).
- 2.05. The Payment Dates are February 15 and August 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollar.

ARTICLE III — PROGRAM

- 3.01. The Recipient declares its commitment to the objectives of the Program. To this end, the Recipient shall carry out the Program through the Ministry of Agriculture and Animal resources (MINAGRI) in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Program is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.02. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is its minister responsible for finance.
- 5.02. The Recipient's Address is:

Ministry of Finance and Economic Planning
P. O. Box 158
Kigali
Rwanda
Facsimile:

250-25257-75-81

- 5.03. The Association's Address is:

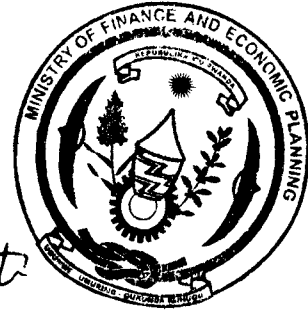
International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:	Telex:	Facsimile:
INDEVAS	248423 (MCI)	1-202-477-6391
Washington, D.C.		

AGREED at Kigali, Rwanda, as of the day and year first above written.

REPUBLIC OF RWANDA

By



Gatete

Authorized Representative

Name: Claver GATETE

Title: Minister of Finance and Economic Planning

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Carolyn Turk

Authorized Representative

Name: Carolyn TURK

Title: Country Manager



SCHEDULE 1

Program Description

The objective of the Program is to increase and intensify the productivity of the Rwandan agricultural and livestock sectors and expand the development of value chains.

The Program consists of the following, namely, the carrying out by the Recipient of a program of activities to implement the Transformation of Agriculture Sector Program 2013-2018 Phase 3 (PSTA 3) from July 1, 2013 to June 30, 2016.

SCHEDULE 2

Program Execution

Section I. Implementation Arrangements

A. Program Fiduciary, Environmental and Social Systems

Without limitation on the provisions of Article IV of the General Conditions, the Recipient shall carry out the Program, or cause the Program to be carried out, in accordance with financial management, procurement and environmental and social management systems acceptable to the Association (“Program Fiduciary, Environmental and Social Systems”) which are designed to ensure that:

1. the Financing proceeds are used for their intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability; and
2. the actual and potential adverse environmental and social impacts of the Program are identified, avoided, minimized, or mitigated, as the case may be, all through an informed decision-making process.

B. Anti-Corruption

Without limitation on the provisions of Part A of this Section, the Recipient shall carry out the Program, or cause the Program to be carried out, in accordance with the provisions of the Anti-Corruption Guidelines.

C. Other Program Institutional and Implementation Arrangements

1 Program Institutions

Without limitation on the generality of Part A of this Section I, the Recipient shall maintain, throughout the implementation of the Program, the offices, units and departments within MINAGRI, RAB, NAEB, Districts and other relevant ministries, agencies and departments, and ensure that they are assigned with technical, social and environmental safeguards, fiduciary and other responsibilities for implementing the Program, all with powers, functions, institutional capacity and staffing acceptable to the Association and with resources adequate to fulfill their respective functions under the Program.

2. Program Action Plan

- (a) The Recipient shall carry out the Program in accordance with the Program Action Plan, and shall not amend, abrogate or suspend, or

permit to be amended, abrogated or suspended any provision of the Program Action Plan without the prior written agreement of the Association.

- (b) Notwithstanding the foregoing, if any provision of any of said action plan is inconsistent with the provisions of this Agreement, the provisions of this Agreement shall prevail.

3. Annual Work Program

The Recipient shall, for each Fiscal Year, develop an Annual Work Program detailing the Program activities to be carried in the said FY and furnish said plan to the Association not later than May 30 of each FY.

4. Environmental and Social Implementation Manual

- (a) The Recipient shall;
 - (i) not later than April 30, 2015 prepare and furnish to the Association for its review an environmental and social implementation manual for the Program containing the guidelines for assessing potential environmental and social impacts of the Program and designing appropriate mitigation, management, and monitoring measures in respect of said impacts; and
 - (ii) thereafter adopt and carry out the Program in accordance with the environmental and social management manual as shall have been reviewed by the Association (“Environmental and Social Implementation Manual”).
- (b) The Recipient shall not amend, abrogate or suspend, or permit to be amended, abrogated or suspended any provision of the Environmental and Social Implementation Manual, without the prior written agreement of the Association.
- (c) Notwithstanding the foregoing, if any provision of said manuals is inconsistent with the provisions of this Agreement, the provisions of this Agreement shall prevail.

Section II. Excluded Activities

The Recipient shall ensure that the Program shall include no activities which:

- A. in the opinion of the Association are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or
- B. involve procurement of: (1) works, estimated to cost \$50 million equivalent or more per contract; (2) goods, estimated to cost \$30 million equivalent or more per contract; (3) information technology system and non-consulting services, estimated to cost \$20 million equivalent or more per contract; or (4) consultants' services, estimated to cost \$15 million equivalent or more per contract.

Section III. Program Monitoring, Reporting and Evaluation; Audits

A. Program Reports

The Recipient shall monitor and evaluate the progress of the Program and prepare Program Reports in accordance with the provisions of Section 4.08 of the General Conditions. Each Program Report shall cover the period of six (6) months, and shall be furnished to the Association not later than thirty (30) days after the end of the period covered by such report.

B. Program Financial Audits

Without limitation on the generality of Section I.A of this Schedule 2 and Section 4.09 of the General Conditions, the Recipient shall have the Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

C. Verification of Program Results

Without limitation on the provisions of Part A of this Section III, the Recipient shall, prior to each payment under the Program:

- (i) carry out in accordance with the Verification Protocol, an assessment to determine the extent to which the Disbursement Linked Results ("DLR") in respect of which payment is requested has been achieved; and
- (ii) furnish said assessment to the Association for review.

Section IV. Withdrawal of Financing Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association may specify from time to time by notice to the Recipient to finance the Program Expenditures, on the basis of the results (“Disbursement Linked Results” or “DLRs”) achieved by the Recipient as measured against specific indicators (“Disbursement Linked Indicators” or “DLIs”); all as set forth in the table in paragraph 2 of this Part A.
2. The following table specifies each category of withdrawal of the proceeds of the Financing (including the Disbursement Linked Indicators as applicable) (“Category”), the Disbursement Linked Results for each Category (as applicable), and the allocation of the amounts of the Financing to each Category.

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Amount of the Financing Allocated (expressed in SDR)	Disbursement Calculation Formula
(1) DLI #1: Extent to which land is protected against soil erosion according to agreed technical standards	DLR#1.1: The area of land protected against soil erosion using progressive and radical terracing techniques has increased	13,180,000	DLR#1.1: SDR 13,180,000 for which an amount of SDR 375.33 and an amount of SDR 86.99 is allocated for each addition Ha. of land protected against soil erosion using radical and progressive terracing techniques respectively
(2) DLI #2: Extent to which land on hillsides and marshlands is irrigated according to agreed technical standards	DLR#2.1: The area of land in marshlands and hillsides irrigated according to agreed technical standards has increased	6,590,000	DLR#2.1: SDR 6,590,000 for which an amount of SDR 1,463.55 and an amount of SDR 487.85 is allocated for each addition Ha. of land on hillsides and on the marshlands irrigated using agreed techniques respectively

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Amount of the Financing Allocated (expressed in SDR)	Disbursement Calculation Formula
<p>(3) DLI #3: Extent to which the average crop yield for cassava and coffee, and the average daily yields of milk per cow improves</p>	<p>DLR#3.1: The average crop yield per Ha. for cassava has increased</p> <p>DLR#3.2: The average yield of coffee per tree per year has increased</p> <p>DLR#3.3: The average daily yields of milk per day per cow has increased</p>	<p>9,885,000</p>	<p>DLR#3.1: SDR 3,295,000 for which an amount of SDR 1,463,550 is allocated for each additional average MT of cassava per Ha</p> <p>DLR#3.2: SDR 3,295,000 for which an amount of SDR 8,781.29 is allocated for each additional gram of average yield of coffee per tree per year</p> <p>DLR#3.3: SDR 3,295,000 for which an amount of SDR 2,927,096.26 is allocated for each additional average liter of milk per day per cow</p>
<p>(4) DLI #4: Extent to which the number of enhanced agricultural innovation technologies are developed and released to farmers, and the number of farmers adopting enhanced agricultural innovation technologies increases</p>	<p>DLR#4.1: The number of enhanced agricultural innovation technologies developed and released to farmers has increased</p> <p>DLR#4.2: The percentage of farmers who have adopted enhanced agricultural innovation technologies has increased</p>	<p>9,885,000</p>	<p>DLR#4.1: SDR 4,942,500 for which an amount of SDR 617,434.37 is allocated for each additional agricultural innovation technology developed and released to farmers</p> <p>DLR#4.2: SDR 4,942,500 for which an amount of SDR 263,438.66 is allocated for each additional percentage of farmers adopting enhanced agricultural innovation technologies</p>

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Amount of the Financing Allocated (expressed in SDR)	Disbursement Calculation Formula
(5) DLI #5: Extent to which the lending for agricultural sector increases	DLR#5.1: The percentage of lending for agricultural sector has increased	6,590,000	DLR#5.1: SDR 6,590,000 for which an amount of SDR 2,582,732.11 is allocated for each additional percentage increase of lending for the agricultural sector
(6) DLI #6: Extent to which an updated gender sensitive management information system for the agricultural sector is developed and implemented	DLR#6.1: The Recipient has developed a framework for an updated gender sensitive management information system DLR#6.2: The Recipient has adopted an action plan for the installation of the updated gender sensitive management information system DLR#6.3: The updated gender sensitive management information system is fully operational	6,590,000	DLR#6.1: SDR 1,320,000 DLR#6.2: SDR 2,635,000 DLR#6.3: SDR 2,635,000
(7) DLI #7: Extent to which agricultural policy reforms are implemented	DLR#7.1: The Recipient has adopted a new seed policy and action plan for the implementation of said policy and has implemented the Agreed Milestones of the action plan	13,180,000	DLR#7.1: SDR 3,300,000

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result (as applicable)	Amount of the Financing Allocated (expressed in SDR)	Disbursement Calculation Formula
	<p>DLR#7.2: The Recipient has adopted a new fertilizer policy and action plan for the implementation of said policy and has implemented the Agreed Milestones of the action plan</p> <p>DLR#7.3: The Recipient has adopted a new agriculture finance policy and action plan for the implementation of said policy and has implemented the Agreed Milestones of the action plan</p>		<p>DLR#7.2: SDR 4,612,500</p> <p>DLR#7.3: SDR 5,267,500</p>
TOTAL AMOUNT		65,900,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) for purposes of Section 2.05 of the General Conditions, for payments for Program Expenditures made prior to the date of this Agreement except that withdrawals up to an aggregate amount not to exceed SDR 16, 475,000 may be made for such payments made prior to this date but on or after April 14, 2014; and
 - (b) for any DLR under any of the Categories until and unless the Recipient has furnished evidence satisfactory to the Association that said DLR has been achieved and verified in accordance with the provisions of Section III.C of schedule 2 to this Agreement.

2. Notwithstanding the provisions of Part B.1(b) of this Section, the Recipient may withdraw an amount not to exceed SDR 3,295,000 as an advance provided, however, that if the DLR for said Category has in the opinion of the Association, not been achieved (or only partially achieved) by the Closing Date, the Recipient shall refund such advance (or portion of such advance as determined by the Association in accordance with the Disbursement Calculation Formula for said Category) to the Association promptly upon notice thereof by the Association. Except as otherwise agreed with the Recipient, the Association shall cancel the amount so refunded. Any further withdrawals requested as an advance under any Category shall be permitted only on such terms and conditions as the Association shall specify by notice to the Recipient.
3. Notwithstanding the provisions of Part B.1(b) of this Section, if the Association is not satisfied that any of the DLRs under any of the Categories has been achieved by the date by which the said DLR is set to be achieved or by the Closing Date, as appropriate, the Association may, at any time, by notice to the Recipient, decide, in its sole discretion, to: (a) authorize the withdrawal of such lesser amount of the unwithdrawn proceeds of the Financing then allocated to said Category which, in the opinion of the Association, corresponds to the extent of achievement of said DLR, said lesser amount to be calculated in accordance with the formula set out in column 4 of the table set under Part A.1 of this Section IV; (b) reallocate all or a portion of the proceeds of the Financing then allocated to said DLR to any other DLR; and/or (c) cancel all or a portion of the proceeds of the Financing then allocated to said DLR.
4. The Closing Date is March 31, 2017.
5. Notwithstanding the foregoing provisions of this Section IV, if at any time after the Closing Date the Recipient has failed to provide evidence satisfactory to the Association that the Withdrawn Financing Balance does not exceed the total amount of Program Expenditures paid by the Recipient, exclusive of any such expenditures financed by any other financier or by the Association or the Association under any other loan, credit or grant, the Recipient shall, promptly upon notice from the Association, refund to the Association such excess amount of the Withdrawn Financing Balance. The Association shall cancel the refunded amount of the Withdrawn Financing Balance.

Section V. Other Undertakings

A. Midterm Review

The Recipient shall:

1. prepare and furnish to the Association, not later than September 30, 2015, a progress report on the implementation of the Program, of such scope and in such detail as shall be acceptable to the Association; and
2. review jointly with the Association, not later than forty-five (45) days after the report referred to in paragraph 1 above and thereafter take all measures required to ensure the efficient completion of the Program and the achievement of the objectives thereof, based on the conclusions and recommendations of said report and the Association's views on the matter.

B. End Term Review

The Recipient shall:

1. carry out at least six(6) months prior to the Closing Date, an end term review of such scope and in such detail as shall be acceptable to the Association to assess the overall impact of the Program; and
2. furnish said assessment to the Association not later than forty-five (45) days after the report referred to in paragraph 1.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each February 15 and August 15, commencing February 15, 2021 to and including August 15, 2052	1.5625%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.

APPENDIX

Section I. Definitions

1. "Agreed Milestones" means the milestones of the action plan to be prepared for the implementation of the policies under DLI # 7 referenced in the table in Section IV.A.2 of Schedule 2 to this Agreement.
2. "Annual Work Program" means the Recipient's plan of Program activities to be implemented in the Fiscal Year and budget and referenced to in Section I.C.3 of Schedule 2 to this Agreement, as the same may be revised from time to time.
3. "Anti-Corruption Guidelines" means the Association's "Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing", dated February 1, 2012.
4. "Category" means a category set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.
5. "Disbursement Calculation Formula" means the formula for determining further allocation of the financing allocated to each Category to each DLR within said Category and as relevant, the further allocation of the amount of the Financing allocated to each DLR in proportion to the DLR obtained.
6. "Disbursement Linked Indicator" or "DLI" means in respect of a given Category, the indicator related to said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.
7. "Disbursement Linked Result" or "DLR" means in respect of a given Category, the result under said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement, on the basis of the achievement of which, the amount of the Financing allocated to said result may be withdrawn in accordance with the provisions of said Section IV.
8. "District" means an administrative area of the Recipient, established pursuant to the Recipient's Law No.29/2005 of December 31, 2005, representing a designated area and population within the territory of the Recipient.
9. "Environmental and Social Implementation Manual" means the environmental and social implementation manual acceptable to the Association to be prepared and adopted by the Recipient in accordance with the provisions of Section I.C.4 of Schedule 2 to this Agreement, as the same may be amended in accordance with the provisions of said Section.

10. "Fiscal Year" or "FY" means the financial year of the Recipient commencing July 1 of every calendar year and ending June 30 of the subsequent year.
11. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010, with the modifications set forth in Section II of this Appendix.
12. "Hectare" or "Ha." means an area of land equivalent to 10,000 sq. meters.
13. "Ministry of Agriculture and Animal Resources" means the Recipient's ministry at the time responsible for agriculture and animal resources.
14. "Metric Ton" or "MT" means 1,000 kilograms.
15. "National Agricultural Exports Development Board" or "NAEB" means the Recipient's agency established and operating under the Recipient's Law No 39/2010 of 25/11/2010 and charged with the responsibility of developing and promoting exports in agricultural and livestock products, or its legal successor thereto.
16. "Program Action Plan" means the Recipient's plan dated September 11, 2014 and referred to in Section I.C.2 of Schedule 2 to this Agreement, as may be amended from time to time with the agreement of the Association.
17. "Program Fiduciary and Environmental and Social Systems" means the Recipient's systems for the Program referred to in Section I.A of Schedule 2 to this Agreement.
18. "Rwanda Agricultural Board" or "RAB" means the Recipient's agency established under the Recipient's Law No. 38/2010 of 25/11/2010 with the mandate of developing agriculture and animal husbandry through their reform, and using modern methods in crop and animal production, research, agricultural extension, education and training of farmers in new technologies, or its legal successor thereto.
19. "Verification Protocol" means the Recipient's protocol entitled 'DLI Verification Protocol Table' dated September 11, 2014 detailing the means by which the fulfillment of the Disbursement Linked Results will be verified under the Program.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Wherever used throughout the General Conditions, the term "the Project" is modified to read "the Program", the term "the Project Agreement" is modified to

read “the Program Agreement”, the term “Project Implementing Entity” is modified to read “the Program Implementing Entity”, the term “Project Report” is modified to read “Program Report”; and the term “Eligible Expenditures” is modified to read “Program Expenditures”.

2. In the Table of Contents, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.
3. Section 2.02, *Special Commitment by the Association*, is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.
4. In Section 2.02 (originally numbered as Section 2.03), the heading “*Applications for Withdrawal or for Special Commitment*” is replaced with “*Applications for Withdrawal*”, and the phrase “or to request the Association to enter into a Special Commitment” is deleted.
5. The section originally numbered as Section 2.04, *Designated Accounts* is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.
6. Paragraph (a) of Section 2.03 (originally numbered as Section 2.05), *Eligible Expenditures* (renamed “Program Expenditures” in accordance with paragraph 1 of this Section II), is modified to read: “(a) the payment is for the financing of the reasonable cost of expenditures required for the Program and to be financed out of the proceeds of the Financing in accordance with the provisions of the Legal Agreements;”.
7. The last sentence of Section 2.04 (originally numbered as Section 2.06), *Financing Taxes*, is modified to read: “To that end, if the Association at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the Association may, by notice to the Recipient, exclude such amount or such Tax from the Program Expenditures to be financed out of the proceeds of the Financing, as required to ensure consistency with such policy of the Association.”
8. Section 2.06 (originally numbered as Section 2.08), *Reallocation*, is modified to read: “Notwithstanding any allocation of an amount of the Financing to a withdrawal category under the Financing Agreement, the Association may, by notice to the Recipient, reallocate any other amount of the Financing to such category if the Association reasonably determines at any time that such reallocation is appropriate for the purposes of the Program.

9. Section 6.01, Cancellation by the Recipient, is modified to read: “The Recipient may, by notice to the Association, cancel any amount of the Unwithdrawn Financing Balance.”
10. Paragraph (d) of Section 6.03, Cancellation by the Association, entitled “Mis-procurement”, is deleted, and subsequent paragraphs are re-lettered accordingly.
11. Section 6.04, Amounts Subject to Special Commitment not Affected by Cancellation or Suspension by the Association, is deleted in its entirety, and subsequent Sections in Article VI and references to such Sections are renumbered accordingly.
12. In the **Appendix, Definitions**, all references to Section numbers are modified, as necessary, to reflect the modifications set forth above. In addition, the definition of the term “Special Commitment” set forth in paragraph 50 is deleted in its entirety, and all subsequent paragraphs are renumbered accordingly.
13. Paragraph 28 of the Appendix (“Financing Payment”) is modified by inserting the words “the Interest Charge” between the words “the Service Charge” and “the Commitment Charge”.
14. The Appendix is modified by inserting a new paragraph 32 with the following definition of “Interest Charge”, and renumbering the remaining paragraphs accordingly:

“32. “Interest Charge” means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b).”
15. Renumbered paragraph 37 (originally paragraph 36) of the Appendix (“Payment Date”) is modified by inserting the words “Interest Charges” between the words “Service Charges” and “Commitment Charges”.
16. Renumbered paragraph 50 (originally paragraph 49) of the Appendix (“Service Charge”) is modified by replacing the reference to Section 3.02 with Section 3.02(a).