
LOAN NUMBER 8981-SZ

Loan Agreement

(Network Reinforcement and Access Project)

between

KINGDOM OF ESWATINI

And

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

LOAN NUMBER 8981-SZ

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between KINGDOM OF ESWATINI (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form 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 — LOAN

- 2.01. The Bank agrees to lend to the Borrower the amount of thirty-five million seven hundred thousand Euro (EUR35,700,000), as such amount may be converted from time to time through a Currency Conversion (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section III of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest rate is the Reference Rate plus the Fixed Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
- 2.06. The Payment Dates are February 15th and August 15th in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with Schedule 3 to this Agreement.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out Part 4 of the Project and cause Parts 1, 2 and 3 to be carried out by the Project Implementing Entity in accordance with the provisions of Article V of the General Conditions, Schedule 2 to this Agreement and the Project Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Event of Suspension consists of the following: the Project Implementing Entity's Legal Framework has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.
- 4.02. The Additional Event of Acceleration consists of the following: the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following: the Subsidiary Agreement has been executed by the Borrower and the Project Implementing Entity, in accordance with Section I.B of Schedule 2 to this Agreement.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower's Representative is the Minister of Finance.
- 6.02. For purposes of Section 10.01 of the General Conditions:

(a) the Borrower's address is:

Ministry of Finance
P.O. Box 443
Mbabane
Kingdom of Eswatini

(b) the Borrower's Electronic Address is:

Telex: Facsimile 2109 WD
 +268 240 43187

6.03. For purposes of Section 10.01 of the General Conditions:

(a) the Bank's address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and

(b) the Bank's Electronic Address is:

Telex: Facsimile:

248423(MCI) or 1-202-477-6391
64145(MCI)

AGREED as of the Signature Date.

KINGDOM OF ESWATINI

By

Neal Rijkenberg

Authorized Representative

Name: _____ Neal Rijkenberg

Title: _____ Minister Finance Eswatini

Date: _____ 29-Apr-2020

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By

Marie Francoise Marie-Nelly

Authorized Representative

Name: _____ Marie Francoise Marie-Nelly

Title: _____ Country Director

Date: _____ 27-Apr-2020

SCHEDULE 1

Project Description

The objective of the Project is to improve the reliability of electricity supply and increase access to electricity services in targeted areas of the Borrower.

The Project consists of the following parts:

Part 1: Reinforcement of the transmission and distribution grid

(a) Reinforcement of the southern transmission grid

Reinforcement of transmission grid in the Shiselweni Region through: (i) construction of the Nhlangano II – Hluthi – Matsanjeni - Lavumisa 132kV transmission line with associated communications, optical ground wire, metering and supervisory control and data acquisition systems; (ii) construction of a 132kV line bay and associated works at Nhlangano II substation; (iii) expansion and conversion of Hluthi 11kV switching station to a 20MVA 132/11kV substation; (iv) construction of 20MVA 132/11kV substations at Hluthi, Matsanjeni and Lavumisa; (v) provision of technical assistance to support: (A) overall management and supervision of the Project; (B) supervision and monitoring of the implementation of safeguard instruments; and (C) capacity building activities to support the compliance with fiduciary, gender, monitoring and evaluation, procurement, and environmental and social standards requirements of the Project; and (vi) provision of technical assistance to carry out engineering studies, environmental and social impact assessments for Project activities.

(b) Distribution network reinforcement

Reinforcement of reliability of the distribution network in the Shiselweni Region and align it with present and projected electricity demand through: (i) linkage of the 132/11kV stations supported under Part 1(a) of the Project to the distribution network in the Shiselweni Region; (ii) reinforcement of weak segments of said distribution network; and (iii) installation of control equipment in selected segments of said distribution network, including: (A) construction of new feeders; (B) upgrade of distribution lines; (C) installation of remotely controlled protection equipment (reclosers); and (D) installation of transformers.

Part 2: Electricity access expansion

Supporting of rural electrification interventions in the Shiselweni Region through: (a) installation of approximately 8,000 household connections in the Shiselweni Region; and (b) provision of customer interface units, including necessary medium

voltage and low voltage (11kV and 0.4kV) network, service drop, meter and breaker for selected group schemes.

Part 3: Analytical support and capacity building

Provision of technical assistance to: (a) enhance electrification planning, implementation, monitoring and verification capacity at MNRE; (b) support the implementation of the Borrower's energy policy positions and maximizing financing for development policies to enable greater private sector participation in renewable energy generation and off-grid electrification; and (c) enhance the security of supply and support MNRE's capacity building needs.

Part 4: Contingency Emergency Response Component

Providing immediate response to an Eligible Crisis or Emergency, as needed.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

Project Steering Committee

1. By no later than one (1) month after the Effective Date, the Borrower, through MNRE, shall establish and thereafter maintain, at all times during the implementation of the Project, a Project steering committee, with a mandate, terms of reference, composition, and resources satisfactory to the Bank, to be responsible for providing overall policy guidance and ensuring adequate coordination during the implementation of the Project.

Rural Electrification Unit

2. The Borrower, through MNRE, shall maintain, at all times during the implementation of the Project, a rural electrification unit, with a mandate, terms of reference, composition, and resources satisfactory to the Bank, to be responsible for, *inter alia*, identifying households to be electrified and providing monitoring and evaluation oversight to the Project Implementing Entity with respect to the implementation of Part 2 of the Project in accordance with the Project Implementation Manual.

B. Subsidiary Agreement.

To facilitate the carrying out Parts 1, 2 and 3 of the Project, the Borrower shall make the proceeds of the Loan available to the Project Implementing Entity on an on-lending basis for Part 1 of the Project and an on-granting basis for Parts 2 and 3 of the Project, under a subsidiary agreement between the Borrower and the Project Implementing Entity, under terms and conditions approved by the Bank ("Subsidiary Agreement"). The Borrower shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

C. Project Implementation Manual

1. By no later than one (1) month after the Effective Date, the Borrower shall:
 - (a) adopt and thereafter maintain throughout the implementation of the Project, a

Project implementation Manual in a manner satisfactory to the Bank (“Project Implementation Manual”); (b) cause the Project Implementing Entity to adopt, and thereafter maintain throughout the implementation of the Project, the Project Implementation Manual in a manner satisfactory to the Bank.

2. The Borrower shall:
 - (a) carry out the Project, and cause the Project Implementing Entity to carry out the Project, in accordance with the Project implementation Manual, which contains detailed guidelines and procedures for the implementation of the Project, including: (i) administration and coordination; monitoring and evaluation; (ii) financial, procurement and accounting procedures; (iii) social and environmental safeguards; corruption and fraud mitigation measures; and (iv) roles and responsibilities of various ministries, departments, agencies and the Project Implementation Entity in the implementation of the Project; and such other arrangements and procedures as shall be required for the effective implementation of the Project; and
 - (b) except as the Bank shall otherwise agree in writing, not amend or waive, or permit to be amended or waived any provision of the Project Implementation Manual.
3. In case of conflict between the provisions of the Project Implementation Manual and this Agreement, the provisions of this Agreement shall prevail.

D. Environmental and Social Standards

1. The Borrower shall, and shall cause the Project Implementing Entity to, ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Bank.
2. Without limitation upon paragraph 1 above, the Borrower shall, and shall cause the Project Implementing Entity to ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan (“ESCP”), in a manner acceptable to the Bank. To this end, the Borrower shall, and shall cause the Project Implementing Entity to, ensure that:
 - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, and as further specified in the ESCP;
 - (b) sufficient funds are available to cover the costs of implementing the ESCP;

- (c) policies, procedures and qualified staff are maintained to enable it to implement the ESCP, as further specified in the ESCP; and
- (d) the ESCP or any provision thereof, is not amended, revised or waived, except as the Bank shall otherwise agree in writing and the Project Implementing Entity has, thereafter, disclosed the revised ESCP.

In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.

3. The Borrower shall, and shall cause the Project Implementing Entity to:
 - (a) take all measures necessary on its part to collect, compile, and furnish to the Bank through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Bank, information on the status of compliance with the ESCP and the management tools and instruments referred to therein, all such reports in form and substance acceptable to the Bank, setting out, inter alia: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
 - (b) promptly notify the Bank of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, including workplace accidents that result in death, serious or multiple injuries, any violent labor unrest or dispute between the Project Implementing Entity and local communities, any case of gender based violence, in accordance with the ESCP, the instruments referenced therein and the Environmental and Social Standards.
4. The Borrower shall, and shall cause the Project Implementing Entity to, maintain and publicize the availability of a grievance mechanism, in form and substance satisfactory to the Bank, to hear and determine fairly and in good faith all complaints raised in relation to the Project, and take all measures necessary to implement the determinations made by such mechanism in a manner satisfactory to the Bank.

E. Contingent Emergency Response under Part 4 of the Project

1. To ensure the proper implementation of Part 4 of the Project (“Contingent Emergency Response”) (“CERC Part”), the Borrower shall:

- (a) prepare and furnish to the Bank for its review and approval, an operations manual which shall set forth detailed implementation arrangements for the CERC Part, including: (i) designation of, terms of reference for and resources to be allocated to, the entity to be responsible for coordinating and implementing the CERC Part (“Coordinating Authority”); (ii) specific activities which may be included in the CERC Part, Eligible Expenditures required therefor (“Emergency Expenditures”), and any procedures for such inclusion; (iii) financial management arrangements for the CERC Part; (iv) procurement methods and procedures for Emergency Expenditures to be financed under the CERC Part; (v) documentation required for withdrawals of Emergency Expenditures; (vi) environmental and social standards management frameworks for the CERC Part, consistent with the Bank’s policies on the matter; and (vi) any other arrangements necessary to ensure proper coordination and implementation of the CERC Part;
 - (b) afford the Bank a reasonable opportunity to review said proposed operations manual;
 - (c) promptly adopt such operations manual for the CERC Part as shall have been approved by the Bank (“CERC Operations Manual”);
 - (d) ensure that the CERC Part is carried out in accordance with the CERC Operations Manual; provided, however, that in the event of any inconsistency between the provisions of the CERC Operations Manual and this Agreement, the provisions of this Agreement shall prevail; and
 - (e) not amend, suspend, abrogate, repeal or waive any provision of the CERC Operations Manual without prior approval by the Bank.
2. The Borrower shall, throughout the implementation of the CERC Part, maintain the Coordinating Authority, with adequate staff and resources satisfactory to the Bank.
3. The Borrower shall undertake no activities under the CERC Part (and no activities shall be included in the CERC Part) unless and until the following conditions have been met in respect of said activities:
- (a) the Borrower has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Bank a request to include said activities in the CERC Part in order to respond to said Eligible Crisis or Emergency, and the Bank has agreed with such determination, accepted said request and notified the Borrower thereof; and

- (b) the Borrower has prepared and disclosed all safeguards instruments required for said activities, in accordance with the CERC Operations Manual, the Bank has approved all such instruments, and the Borrower has implemented any actions which are required to be taken under said instruments.
4. Emergency Expenditures required for the CERC Part of the Project shall be procured in accordance with the procurement methods and procedures set forth in the CERC Operations Manual.

Section II. Project Monitoring Reporting and Evaluation

The Borrower cause the Project Implementing Entity to furnish to the Bank each Project Report not later than one (1) month after the end of each calendar quarter, covering the calendar quarter.

Section III. Withdrawal of Loan Proceeds

A. General.

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Borrower may withdraw the proceeds of the Loan to: (a) finance Eligible Expenditures; (b) pay: (i) the Front-end Fee and (ii) each Interest Rate Cap or Interest Rate Collar premium; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Loan Allocated (expressed in EUR)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, Training Costs and Incremental Operating Costs under Parts 1, 2 and 3 of the Project	35,610,750	100%

(2) Front-end Fee	89,250	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(3) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 4.05 (c) of the General Conditions
(4) Emergency Expenditures under Part 4 of the Project	0	100%
TOTAL AMOUNT	35,700,000	

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
 - (a) for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed EUR900,000 may be made for payments made prior to this date but on or after April 15, 2019, for Eligible Expenditures under Category (1); and
 - (b) under Category (4), for Emergency Expenditures, under Part 4 of the Project, unless and until the Bank is satisfied, and notified the Borrower of its satisfaction, that all of the following conditions have been met in respect of said activities:
 - (i) the Borrower has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Bank a request to include said activities in the CERC Part in order to respond to said Eligible Crisis or Emergency, and the Bank has agreed with such determination, accepted said request and notified the Borrower thereof;
 - (ii) the Borrower has prepared and disclosed all safeguards instruments required for said activities, and the Borrower has implemented any actions which are required to be taken under said instruments, all in accordance with the provisions of Section I.E of Schedule 2 to this Agreement;
 - (iii) the Borrower's Coordinating Authority has adequate staff and resources, in accordance with the provisions of Section I.E of this Schedule 2 to this Agreement, for the purposes of said activities; and

- (iv) the Borrower has adopted an CERC Operations Manual in form, substance and manner acceptable to the Bank and the provisions of the CERC Operations Manual remain or have been updated in accordance with the provisions of Section I.E of this Schedule 2 so as to be appropriate for the inclusion and implementation of said activities under the CERC Part.

2. The Closing Date is October 31, 2024.

SCHEDULE 3

Commitment-Linked Amortization Repayment Schedule

The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”).

Level Principal Repayments

Principal Payment Date	Installment Share
On each February 15 th and August 15 th Beginning August 15, 2024 through February 15, 2049	2%

APPENDIX

Definitions

1. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.
2. “Annual Work Plan and Budget” means each annual work plan, together with the related budget, for the Project approved by the Bank pursuant to the provisions of Section I.B of the Schedule to the Project Agreement.
3. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
4. “CERC Operations Manual” means the operations manual referred to in Section I.E of this Agreement, to be adopted by the Borrower for the CERC Part of the Project in accordance with the provisions of said Section.
5. “CERC Part of the Project” or the acronym “CERC Part” means Part 4 of the Project.
6. “Coordinating Authority” means the entity or entities designated by the Borrower in the CERC Operations Manual and approved by the Bank pursuant to Section I.E of Schedule 2 to this Agreement, to be responsible for coordinating the CERC Part of the Project.
7. “Eligible Crisis” or “Emergency” means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Borrower, associated with a natural or man-made crisis or disaster.
8. “Emergency Expenditure” means any of the Eligible Expenditures set forth in the CERC Operations Manual in accordance with the provisions of Section I.E of Schedule 2 to this Agreement and required for the activities included in the CERC Part of the Project.
9. “Environmental and Social Commitment Plan” or the acronym “ESCP” means the Project Implementing Entity’s environmental and social commitment plan, acceptable to the Bank, dated May 15, 2019, which sets out a summary of the material measures and actions to address the potential environmental and social risks and impacts of the Project, including the timing of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any instruments to be prepared thereunder; as the ESCP may be revised from time to

time, with prior written agreement of the Bank, and such term includes any annexes or schedules to such plan.

10. “Environmental and Social Standards” means, collectively: (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Bank at <http://pubdocs.worldbank.org/en/837721522762050108/Environmental-and-Social-Framework.pdf#page=111&zoom=80>.
11. “Fiscal Year” means each fiscal year of the Borrower commencing on January 1 and ending on December 31.
12. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing”, dated December 14, 2018.
13. “MNRE” means the Ministry of Natural Resources and Energy or any successor thereto.
14. “Operating Costs” means the incremental operating cost, based on Annual Work Plans, and arising under the Project, based on Annual Work Plans on account of Project coordination, implementation and monitoring activities, including office supplies, vehicle operation and maintenance costs, utilities, communication charges, per diems and travel allowances, but excluding the salaries of the Borrower and Project Implementing Entity’s civil service and sitting allowances.
15. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016, revised November 2017 and August 2018.
16. “Project Implementation Unit” means the unit referred to in Section I.A of the Schedule to the Project Agreement.

17. “Project Implementing Entity” means the Eswatini Electricity Company, established by the Swaziland Electricity Company Act of 2007, with the objective to generate, transmit, distribute and supply electricity also to import and export it into and out of territory of the Borrower.
18. “Project Implementation Manual” means the manual referred to in Section I.C of Schedule 2 to this Agreement and Section I.B of the Schedule to the Project Agreement.
19. “Signature Date” means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to “the date of the Loan Agreement” in the General Conditions.
20. “Subsidiary Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement.
21. “Training Costs” means training of persons involved in Project-supported activities, based on Annual work Plans approved by the Bank, such term including seminars, workshops, and study tours, and costs associated with such activity such as travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to training preparation and implementation.