
CREDIT NUMBER 7587-LS

Financing Agreement

(Lesotho Education Improvement Project)

between

KINGDOM OF LESOTHO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between KINGDOM OF LESOTHO (“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) 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 — FINANCING

- 2.01. The Association agrees to extend to the Recipient a credit, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to fifteen million and two hundred thousand Special Drawing Rights (SDR 15,200,000) (variously, “Credit” and “Financing”), to assist in financing the project described in Schedule 1 to this Agreement (“Project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section III of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.04. The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.
- 2.05. The Interest Charge is one and a quarter percent (1.25%) per annum on the Withdrawn Credit Balance.
- 2.06. The Payment Dates are April 15 and October 15 in each year.
- 2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.08. The Payment Currency is Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project through the Ministry of Education and Training (MoET) in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Condition of Effectiveness consists of the following, namely, the Recipient has prepared and adopted a Project Operations Manual in form and substance satisfactory to the Association.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 4.03. For purposes of Section 10.05(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 years after the Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is its Minister of Finance and Development Planning.
- 5.02. For purposes of Section 11.01 of the General Conditions:
- (a) the Recipient's address is:
- Ministry of Finance and Development Planning
P.O. Box 395
Maseru 100
Lesotho; and
- (b) the Recipient's Electronic Address is:
- Telephone:

(266) 22 310 622
- 5.03. For purposes of Section 11.01 of the General Conditions:
- (a) the Association's address is:
- International Development Association
1818 H Street, N.W.

Washington, D.C. 20433
United States of America; and

(b) the Association's Electronic Address is:

| | |
|--------------|----------------|
| Telex: | Facsimile: |
| 248423 (MCI) | 1-202-477-6391 |

AGREED as of the Signature Date.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Satu Kahkonen

Title: Country Director

Date: 24-Jul-2024

KINGDOM OF LESOTHO

By



Authorized Representative

Name: Retselisitsoe Adelaide Matlanyane

Title: Minister of Finance and Development Planning

Date: 25-Jul-2024

SCHEDULE 1

Project Description

The objective of the Project is to improve the quality of teaching and enhance the physical learning conditions in Targeted Primary and Secondary Schools.

The Project consists of the following parts:

Part 1: Improving the Quality of Teaching in Primary and Secondary Schools

1. Strengthening teaching of foundational skills including: (a) reviewing, updating, and digitizing the teacher materials accompanying the existing curriculum for English, Sesotho, and Mathematics for grades 1-3 and improving its content; (b) uploading digitized materials on tablets for teachers and provision of hard copies to learners; (c) provision of tablets and solar chargers in select schools without electricity for charging of the tablets; (d) training teachers on newly developed and digitized foundational literacy and numeracy materials; and (e) supporting multigrade teaching and strengthening the capacity of the District Resource Teachers, school inspectors, and National Curriculum Development Center staff to provide monitoring, mentoring and coaching services and visits to schools.
2. Implementing two round of the National Learning Assessments in Grade 9 on mathematics, science, English and Sesotho.
3. Scaling up implementation of online mathematics and science training for junior secondary school teachers including: (a) providing the teachers laptops; (b) supporting online teacher training courses in math and science including on climate change mitigation and adaptation; (c) supplying and installing ICT equipment and providing the teachers training on the use of ICT, and (d) providing coaching on approaches for improving girls' participation in Science, Technology, Engineering, and Mathematics fields.

Part 2: Enhancing physical learning conditions in Targeted Primary and Secondary Schools

1. Improving basic infrastructure in targeted existing public primary schools including: (a) constructing additional classrooms and latrines in primary schools where needed; and (b) providing furniture; and
2. constructing laboratories/workshops in Targeted Secondary Schools and providing said schools with furniture, equipment, gender segregated latrines, solar panels and waste disposal facilities; and (b) providing connections to water and electricity supply.

Part 3: Strengthening Project Management, and Governance of Education System

1. Supporting the decentralization of teaching services to district levels including: (a) setting up an e-governance teacher records management system to support digitization of teacher files, (b) installing workstations for personnel, (c) setting up a main server to store data, and (d) providing internet routers, office furniture, computers and printers.
2. Strengthening MoET's institutional capacities to implement the Project including planning, budgeting, monitoring, and reporting and compliance with the fiduciary aspects of financial management, procurement and environmental and social risk management and project audit.
3. Strengthening MoET's Grievance Redress Mechanism at the local, regional, and national levels.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. *Ministry of Education and Training*

The Recipient shall delegate the overall implementation of the Project to the MoET and ensure that all throughout Project implementation, MoET has adequate mandate, staff with terms of reference and resources satisfactory to the Association.

2. *Project Coordination Committee.*

(a) The Recipient shall maintain throughout the implementation of the Project, the Project Coordination Committee (PCC) chaired by the Principal Secretary MoET with a composition, mandate, terms of reference and resources satisfactory to the Association.

(b) Notwithstanding the provision of paragraph (a) above, the PCC shall comprise of Principal Secretaries of MoET and Ministry of Finance and Development Planning, representative from the local education group, component managers of the Project and PFU staff, and shall be responsible for: (i) monitoring and reviewing the progress of the activities and providing overall guidance for effective project implementation; (ii) ensuring sectoral coordination and consistency of project activities with sector policies and strategies; and (iii) reviewing project progress reports and audits and making recommendations for facilitating implementation.

3. *Technical Working Groups (TWG)*

(a) The Recipient shall maintain the Technical Working Group (TWGs) with a composition, mandate, terms of reference and resources satisfactory to the Association.

(b) Notwithstanding the provision of paragraph (a) above, the TWG shall comprise of CEOs for primary, secondary, Curriculum and Assessment, Teaching Service Department, Director of Education Facilitation Unit and Director of Education Planning and shall be responsible for: (i) developing ToRs for the project activities relevant to their respective department, and (ii) support the implementation, monitoring and reporting aspects of the project's progress relevant to their respective department.

4. Project Facilitation Unit (PFU)

To promote effective implementation of the Project the Recipient shall:

- (a) Designate the PFU with the responsibility for carrying out the project management aspects of the Project including the administrative, fiduciary, environmental and social monitoring and reporting.
- (b) Ensure that all throughout the implementation of the Project the PFU has staff in adequate number, mandate, terms of reference and resources satisfactory to the Association.

B. Project Operations Manual.

1. The Recipient shall prepare and thereafter adopt a Project Operations Manual (PoM) in form and substance satisfactory to the Association, containing detailed arrangements and procedures for implementation of the Project consistent with the provisions of this Agreement and with applicable laws and regulations and including *inter alia*: (a) timetables of actions required to be carried out under the Project; (b) arrangements including financial management, procurement, and anti-corruption; (c) environment and social management systems; (d) monitoring and evaluation, reporting and communication; (e) comprehensive procedures for Project administration and accounting; and (f) such other administrative, financial, technical and organizational arrangements, procedures and necessary terms of reference as shall be required for the PoM.
2. The Recipient shall carry out the Project, in accordance with the PoM, and except as the Association shall otherwise agree, the Recipient shall not, assign, amend, abrogate, or waive the PoM, or any provision thereof.

C. Environmental and Social Standards

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

- (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
 - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Association shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
- 3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
- 4. The Recipient shall ensure that:
 - (a) all measures necessary are taken to collect, compile, and furnish to the Association through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Association, 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) the Association is promptly notified 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 in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
- 5. The Recipient shall establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Association.
- 6. The Recipient shall ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, and subcontractors and supervising entities to: (a) comply with the relevant aspects of ESCP and the environmental and social instruments referred to therein; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation and abuse, sexual harassment and violence against children, all

as applicable to such civil works commissioned or carried out pursuant to said contracts.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient shall furnish to the Association each Project Report not later than one month after the end of each calendar semester, covering the calendar semester.

Section III. Withdrawal of the Proceeds of the Financing

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 Recipient may withdraw the proceeds of the Financing to: (a) finance Eligible Expenditures; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

| Category | Amount of the Credit Allocated (Expressed in (SDR)) | Percentage of Expenditures to be Financed. (Inclusive of Taxes] |
|--|--|--|
| (1) Goods, works, non-consulting services, and consulting services, Operating Costs and Training for the Project | 15,200,000 | 100% |
| TOTAL AMOUNT | 15,200,000 | |

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the Signature Date.
2. The Closing Date is June 29, 2029.

SCHEDULE 3

Repayment Schedule¹

| Date Payment Due | Principal Amount of the Credit repayable (expressed as a percentage)* |
|--|--|
| On each April 15 and October 15: | |
| Commencing October 15, 2029 to and including April 15, 2049 | 1.65% |
| commencing October 15, 2040 to and including April 15, 2054. | 3.40% |

* 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 3.05(b) of the General Conditions.

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. “Project Facility Unit” means the project management unit within MoET.
3. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
4. “District Resource Teachers” means the Recipient’s personnel responsible for visiting schools to provide monitoring, coaching, advice to teachers.
5. “Education Facilitation Unit” means a department under MoET responsible for supervision of construction of all education facilities.
6. “Education Planning” means a unit under MoET responsible for developing policies, strategic plans and carrying out needed research.
7. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated May 17, 2024, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Recipient shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
8. “Environmental and Social Standards” or “ESSs” 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 African 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 Association.

9. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018 (Last revised on July 15, 2023).
10. “MoET” means the Recipient’s Ministry of Education and Training or its successor.
11. “National Curriculum Development Center” means a unit within MoET responsible for curriculum and curriculum policy development to ensure relevant and quality education.
12. “Operating Costs” means the reasonable incremental expenditures incurred by the Recipient on account of Project implementation, based on the Annual Work Plan and Budget approved by the Association, and consisting of expenditures for office supplies and stationary, office rent, communication and insurance charges, maintenance of office and information technology equipment, hazard payments, vehicle operations and maintenance costs, utilities, transportation in and between states, handling and warehousing, *per diem* and travel allowances, and salaries of locally contracted employees, but excluding salaries of officials of the Recipient’s civil/public service.
13. “Project Operations Manual” or “PoM” means the manual to be prepared and adopted by the Recipient for the implementation of the Project containing detailed arrangements and procedures for: (a) institutional coordination and day-to-day execution of the Project; (b) disbursement and financial management; (c) procurement; (d) environmental and social risks and impacts management; (e) monitoring and evaluation, reporting and communication; (f) detailed grievance redress mechanisms; and (g) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project; as said manual may be modified from time to time with the prior written no-objection of the Association, and such term includes any schedules to such manual.
14. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated September 2023.
15. “Project Coordination Committee” or “PCC” means the committee referred to in Section I.A.2 of Schedule to the Agreement.
16. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.

17. “Targeted Primary and Secondary Schools” means the primary schools and secondary schools selected by MoET in accordance with criteria set forth in the POM.
18. “Training” means the reasonable costs for the following expenditures incurred in providing training (excluding consultants services) or workshops: travel by participants and presenters to the training or workshop site, *per diem* allowances of such persons during the training or workshop, honoraria for the presenters, rental of facilities, materials, supplies and translation and interpretation services.
19. “Technical Working Groups” or “TWG” means the working group referred to in Section I.A.3 of Schedule 2 to this Agreement.