
LOAN NUMBER 9600-ZA

Loan Agreement

(Sustainable and Low-Carbon Energy Transition Development Policy Loan)

between

REPUBLIC OF SOUTH AFRICA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN NUMBER 9600-ZA

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between Republic of South Africa (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Bank has decided to provide this financing on the basis, *inter alia*, of: (i) the actions which the Borrower has already taken under the Program, and which are described in Section I.A. of Schedule 1 to this Agreement; and (ii) the Borrower’s maintenance of an adequate macroeconomic policy framework. The Borrower and the Bank therefore 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 one billion Dollars (\$1,000,000,000) as such amount may be converted from time to time through a Currency Conversion (“Loan”).
- 2.02. The Front-end Fee is one quarter of one percent (0.25%).
- 2.03. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.04. The interest rate is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) the General Conditions.
- 2.05. The Borrower elects to apply the Automatic Rate Fixing Conversion to the Loan. Accordingly, without limitation upon the provisions of Article IV of the General Conditions and unless otherwise notified by the Borrower to the Bank in accordance with the provisions of the Conversion Guidelines, the interest rate basis applicable to consecutive withdrawals from the Loan Account which in the aggregate equal or exceed \$1,000,000,000 shall be converted from the initial Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread for the full maturity of such amount in accordance with the provisions of Article IV of the General

Conditions and of the Conversion Guidelines.

- 2.06 The Payment Dates are March 15 and September 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with Schedule 2 to this Agreement.
- 2.08. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

ARTICLE III — PROGRAM

- 3.01. The Borrower declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:
 - (a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the Borrower's macroeconomic policy framework and the progress achieved in carrying out the Program;
 - (b) prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request; and
 - (c) without limitation upon paragraph (a) and (b) of this Section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Event of Suspension consist of the following, namely, a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V— EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following:
 - (a) the Bank is satisfied with the progress achieved by the Borrower in carrying out the Program and with the adequacy of the Borrower's macroeconomic policy framework.

- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 5.03. For purposes of Section 9.05(b) of the General Conditions, the date on which the obligations of the Borrower under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

- (a) the Borrower's address is:

40 Church Square
Old Reserve Bank Building
2nd Floor, Pretoria
0002; and

- (b) the Borrower's Electronic Address is:

Telex:	Facsimile:
(012) 323 8911	(012) 323 3262

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

AGREED as of the Signature Date.

REPUBLIC OF SOUTH AFRICA

By:

Elizabeth Mmakgoshi Lekhethe

Authorized Representative

Name: Elizabeth Mmakgoshi Lekhethe

Title: Head:Asset and Liability Management

Date: 15-Nov-2023

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

By:

Marie Françoise Marie-Nelly

Authorized Representative

Name: Marie Françoise Marie-Nelly

Title: Country Director

Date: 03-Nov-2023

SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions under the Program

A. Actions Taken Under the Program. The actions taken by the Borrower under the Program include the following:

Pillar 1: *Advance the Restructuring of the Power Sector to promote Long-term Energy Security*

1. The Borrower, through the National Energy Regulator of South Africa, has pursuant to the *Electricity Regulation Act*, on July 27, 2023, issued license number NER/TX02/2023 to the National Transmission Company of South Africa SOC Ltd to operate the transmission system.
2. The Borrower, through its Department of Mineral Resources and Energy, has on July 20, 2023 submitted to Parliament for approval the *Electricity Regulation Amendment Bill*, which amends the 2006 Electricity Regulation Act to *inter alia*: (a) create a platform for opening the electricity market; (b) establish a Transmission System Operator and assign its responsibilities to the National Transmission Company South Africa SOC Ltd; and (c) strengthen the regulatory powers of the National Energy Regulator of South Africa; as evidenced by the *Announcements Tablings and Committee Report 96/2023*.
3. The Borrower has enacted the *Eskom Debt Relief Act* and the *Appropriation Act* to enable the National Treasury to provide interest free loans to Eskom covering debt obligations over next 3 years conditional on restricting new borrowing and directing investments towards compliance with the Minimum Emission Standards and flue gas desulfurization and transmission.
4. The Borrower(a) through its parliament has approved the Budget Review 2023; and (b) enacted the *Appropriation Act* which *inter alia* mitigates the impact of the increase in electricity tariffs, implemented in April 2023, on indigent households through the Free Basic Electricity Program.

Pillar 2: *Support the Implementation of a Low Carbon Transition*

5. The Borrower, through its Department of Mineral Resources and Energy, has amended Schedule 2 of the *Electricity Regulation Act* which *inter alia* provides licensing exemption to Embedded Generators to promote electricity generation from private developers; as evidenced by Government Notice, No. 47877.

6. The Borrower through its parliament has approved the Budget Review 2023 which provides tax incentives for individuals investing in rooftop solar photovoltaic and expands renewable energy tax incentives for businesses.
7. The Borrower, has through its National Treasury, established an Energy Bounce-Back Loan Agreement Scheme that provides a 20 percent first-loss guarantee on loans extended by commercial banks to small and medium enterprises and individuals that purchase or lease equipment for renewable energy as evidenced by a letter issued by the Borrower's National Treasury dated August 31, 2023.
8. The Borrower has enacted the *Taxation Law Amendment Act* which *inter alia* amends the *Carbon Tax Act* to gradually increase the carbon tax rate.

Section II. Availability of Loan Proceeds

- A. **General.** The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.
- B. **Allocation of Loan Amounts.** The Loan is allocated in: (a) a single withdrawal tranche from which the Borrower may make withdrawals of the Loan proceeds; The allocation of the amounts of the Loan to this end is set out in the table below:

Allocations	Amount of the Loan (expressed in USD)
(1) Single Withdrawal Tranche	1,000,000,000
TOTAL AMOUNT	1,000,000,000

C Withdrawal Tranche Release Conditions

1. No withdrawal shall be made of the Single Withdrawal Tranche unless the Bank is satisfied: (a) with the Program being carried out by the Borrower; and (b) with the adequacy of the Borrower's macroeconomic policy framework.
2. No withdrawal shall be made of the Single Withdrawal Tranche unless the Bank is satisfied, based on evidence satisfactory to it, that [the situation described in paragraph (c) of Section 3.01 of Article III of this Agreement has been resolved.

D. Deposit of Loan Amounts

The Borrower, within thirty (30) days after the withdrawal of the Loan from the

Loan Account, shall report to the Bank: (a) the exact sum received into the account referred to in Section 2.03(a) of the General Conditions; (b) the details of the account to which the South African Rands equivalent of the Loan proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Borrower's budget management systems; and (d) the statement of receipts and disbursement of the account referred to in Section 2.03(a) of the General Conditions.

E. Closing Date. The Closing Date is February 28, 2025.

SCHEDULE 2

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 March 15 and September 15 Beginning March 15, 2029 through September 15, 2038	5%

APPENDIX

Definitions

1. “Appropriation Act” means the Appropriation Act, No. 8 of 2023 published in the Borrower’s Government Gazette No. 48916 of July 7, 2023.
2. “Budget Review 2023” means the Borrower’s framework for its government’s revenue and spending projections for Fiscal Year 2023 dated February 22, 2023.
3. “Cabinet” means the Borrower’s cabinet, which consist of the President, as head, the Deputy President, and ministers.
4. “Carbon Tax Act” means the Carbon Tax Act, No. 15 of 2019, published in the Borrower’s Government Gazette No.42483 of May 23, 2019, as amended as of the date of this Agreement.
5. “Department of Mineral Resources and Energy” is the Borrower’s government department in charge of mineral resources and energy, or any successor thereto acceptable to the Bank.
6. “Electricity Regulation Amendment Bill” means the Electricity Regulation Amendment Bill, B23-2023.
7. “Electricity Regulation Act” means the Electricity Regulation Act, No. 4 of 2006, published in the Borrower’s Government Gazette No. 28992 of July 5, 2006, as amended as of the date of this Agreement.
8. “Embedded Generators” means a legal entity that either operates one or more electricity generating units that is connected to the distribution system, or that desires to connect one or more electricity generating units to the distribution system.
9. “Energy Bounce Back Loan Guarantee Scheme” means the Borrower’s guarantee scheme administered through the South African Reserve Bank, for assuming the initial losses (20%) with finance providers assuming the risk for the remaining losses for SMEs and households’ rooftop photovoltaic solar investments.
10. “Eskom Debt Relief Act” means the Eskom Debt Relief Act, No. 7 of 2023, published in the Borrower’s Government Gazette No. 48915 of July 7, 2023.
11. “Free Basic Electricity Program” means the Electricity Basic Service Support Tariff Policy, published in the Borrower’s Government Gazette No.25088 of July 4, 2003.

12. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Development Policy Financing”, dated December 14, 2018 (Last revised on July 15, 2023).
13. “Government Notice No. 47877” means the notice published in the Borrower’s Government Gazette No. 47877 of 17 January 2023.
14. “Minimum Emission Standards” means the limits set by the Borrower on the emissions of pollutants from a wide-ranging list of activities which may have, a significant detrimental effect on the environment, including health, social conditions, economic conditions, ecological conditions or cultural heritage.
15. “National Energy Regulator of South Africa” means the single regulator to regulate the electricity, piped-gas and petroleum pipeline industries; and to provide for matter connected therewith, established and operating pursuant to the 2004 National Energy Regulator Act No. 40 of 2004, published in the Borrower’s Government Gazette No.27458 of April 6, 2005.
16. “National Transmission Company of South Africa” means National Transmission Company South Africa SOC Ltd established and operating pursuant to Registration number: 2021/539129/30 or its successor.
17. “National Treasury” means a Department within the Borrower’s Ministry of Finance responsible for coordinating macroeconomic policy and promoting the national fiscal policy framework.
18. “Parliament” means the Borrower’s parliament, consisting of the National Assembly and the National Council of Provinces.
19. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated September 12, 2023, from the Borrower to the Bank declaring the Borrower’s commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program’s objectives.
20. “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.
21. “Single Withdrawal Tranche” means the amount of the Loan allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

22. “Taxation Law Amendment Act” means the Taxation Amendment Act, No. 20 of 2022 published in the Borrower’s Government Gazette No.47826 of January 5, 2023.
23. “Transmission System Operator” means the entity assigned to manage and maintain the transmission network and operate the power system.