
LOAN NUMBER 9376

Loan Agreement

(Eswatini Economic Recovery Development Policy Loan II)

between

KINGDOM OF ESWATINI

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between KINGDOM OF ESWATINI (“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 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 seventy-five million United States Dollars (USD 75,000,000), 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%) of the Loan amount.
- 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) of the General Conditions.
- 2.05. The Payment Dates are February 15 and August 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with Schedule 2 to this Agreement.
- 2.07. 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 consists 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, namely that 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.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower's Representative is the minister in charge 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
Eswatini; and

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

AGREED as of the Signature Date.

KINGDOM OF ESWATINI

By

Hon. Minister Neal Rijkenberg

Authorized Representative

Name: Hon. Minister Neal Rijkenberg

Title: Minister Finance Eswatini

Date: 16-May-2022

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By

Marie Françoise Marie-Nelly

Authorized Representative

Name: Marie Françoise Marie-Nelly

Title: Country Director

Date: 16-May-2022

SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions under the Program

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

1. To strengthen and modernize the health system, the Borrower, through its Cabinet, has approved and submitted to Parliament the Health Bill, which aims at establishing the legal foundations for strengthening the national health capacity system and its performance for effective health service delivery.
2. To promote an unemployment insurance system, the Borrower through its Cabinet, has adopted the National Social Security Policy which aims at setting forth the institutional foundations for the establishment and the use of an unemployment benefit fund.
3. To leverage sustainable private financing to MSMEs, the Borrower has amended the Consumer Credit Act, to improve the credit information sharing system, by *inter alia*: (a) requiring credit providers to obtain at least one report from a credit bureau to assess a borrower's debt repayment history in order to grant any form of credit; and (b) enabling credit bureaus to provide credit scoring and to use several sources of data in order to facilitate the collection and distribution of credit reference information.
4. To sustainably reduce expenditure arrears, the Borrower, through its Cabinet, has approved and submitted to Parliament the PFM Regulations, which require the creation of a single Government Account.
5. To ensure debt and fiscal sustainability, the Borrower, through its Cabinet, has approved and published the SOE Restructuring Framework, which targets to: (a) reduce the number of SOEs from 49 to below 35 through separation of regulatory and commercial activities, closing some of the SOEs, privatization; and (b) improve operational performance and accountability of remaining SOEs.
6. To facilitate transparency, accountability and efficiency in public procurement, the Borrower, through its Cabinet, has adopted a strategy for the implementation of an e-Government Procurement (e-GP) program.
7. To promote competition and private investment in the telecommunications sector, the Borrower, through its Minister of Information, Communications and Technology, has adopted the Mobile Network Operator Active Infrastructure Sharing and National Roaming Guidelines, which aims at creating an efficient and competitive mobile telecommunications environment, promoting telecommunications investment, and reducing duplication of infrastructure.
8. To support digital economy developments, the Borrower, through its Cabinet, has approved and submitted to Parliament the National Payment Systems Bill, which aims at establishing the legal foundations for enabling digital and innovative financial services and strengthening the institutional framework to promote efficiency and ensure safety in the payment system.

9. To strengthen judicial enforcement of commercial contracts, the Borrower: (a) through its Chief Justice, has issued Practice Directive 1/2021 dated October 6, 2021, establishing a specialized Commercial Court with jurisdiction to hear and determine commercial disputes; (b) through its Chief Justice, has issued the Small Claims Court Rules.

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; and (b) the amounts requested by the Borrower to pay the Front-end Fee. The allocation of the amounts of the Loan to this end is set out in the table below:

Allocations	Amount of the Loan Allocated (Expressed in USD)
(1) Single Withdrawal Tranche	74,812,500
(2) Front-end Fee	187,500
(3) Amount due pursuant to Section 4.05 (c) of the General Conditions	0
TOTAL AMOUNT	75,000,000

C. Withdrawal Tranche Release Conditions.

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.

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 Emalangeni 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. Audit. Upon the Bank’s request, the Borrower shall:

1. have the account referred to in Section 2.03 (a) of the General Conditions audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank;
2. furnish to the Bank as soon as available, but in any case, not later than three (3) months after the end of the Bank's fiscal year, a certified copy of the report of such audit, of such scope and in such detail as the Bank shall reasonably request, and make such report publicly available in a timely fashion and in a manner acceptable to the Bank and;
3. furnish to the Bank such other information concerning the account referred to in Section 2.03 (a) of the General Conditions and their audit as the Bank shall reasonably request.

G. Closing Date. The Closing Date is June 30, 2023.

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 February 15 and August 15 Beginning August 15, 2025 through February 15, 2030	10%

APPENDIX

Section I. Definitions

1. “CBE” means the Central Bank of Eswatini.
2. “Commercial Court” means the Borrower’s specialized commercial court with jurisdiction to hear and determine commercial disputes, as established and defined under Practice Directive 1/2021 dated October 6, 2021.
3. “Consumer Credit Act” means the Consumer Credit (Amendment) Act, 2021, published at the Eswatini Government Gazette No. 163 of November 26, 2021.
4. “e-Government Procurement” or “e-GP” means the e-Government Procurement System Strategy, 2021, adopted by the Borrower’s Cabinet on September 28, 2021, as evidenced by the Cabinet Minutes No. CM11377 dated September 28, 2021, and by the Circular issued by the Ministry of Finance dated March 9, 2022.
5. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Development Policy Financing”, dated December 14, 2018 (revised on August 1, 2020, December 21, 2020, April 1, 2021, and January 1, 2022).
6. “Government Account” means the single Treasury account, which aims at sustainably reducing expenditure arrears, created by the PFM Regulations.
7. “Health Bill” means the bill of January 24, 2022, approved by the Borrower’s Cabinet on November 31, 2021, as evidenced by the Cabinet Minutes No. CM11817 dated November 30, 2021, and submitted by the Borrower’s Minister of Health to the Borrower’s Parliament on February 23, 2022, as evidenced by the Order Paper No. 03/2022 issued by the Borrower’s House of Assembly on February 22, 2022.
8. “Minister of Finance” means the borrower’s minister in charge of finance, or any successor thereto.
9. “Minister of Information, Communications and Technology” means the borrower’s minister in charge of information, communications and technology, or any successor thereto.
10. “Mobile Network Operator Active Infrastructure Sharing and National Roaming Guidelines” means the Mobile Network Operator Active Infrastructure Sharing and National Roaming Guidelines, 2021, dated September 17, 2021, approved by the Borrower’s Minister of Information, Communications and Technology on March 22, 2021.
11. “MSME” means a medium-or-small-medium enterprise; and “MSMEs” means two or more of said enterprises.
12. “National Social Security Policy” or “NSSP” means the policy adopted by the Borrower’s Cabinet on November 30, 2021, as evidenced by the Cabinet Minutes No. CM11816 dated November 30, 2021.

13. “National Payment Systems Bill” means the bill approved by the Borrower’s Cabinet on January 17, 2022, as evidenced by the Cabinet Minutes No. 11974 dated January 17, 2022] and submitted by the Borrower’s Minister of Finance to the Borrower’s Parliament on February 23, 2022, as evidenced by the Order Paper No. 03/2022 issued by the Borrower’s House of Assembly on February 22, 2022.
14. “Parliament” means the Borrower’s legislative body, which consists of two chambers: (a) the House of Senate (Upper Chamber); and (b) the House of Assembly (Lower Chamber).
15. “PFM Regulations” means the Public Finance Management Regulations, 2021, adopted by the Borrower’s Cabinet on February 16, 2021, as evidenced by the Cabinet Minutes No. CM10361 dated February 16, 2021, and submitted by the Minister for Finance to Parliament on March 30, 2021, in accordance with the laws of the Kingdom of Eswatini as evidenced by the Order Paper No. 13/2021 issued by the Eswatini House of Assembly on March 29, 2021.
16. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated March 3, 2022, 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.
17. “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.
18. “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.
19. “Small Claims Courts Rules” means the Small Claims Court Rules, 2022, dated March 10, 2022.
20. “SOEs” means state-owned enterprises.
21. “SOE Restructuring Framework” means the framework dated November 30, 2021, adopted by the Borrower’s Cabinet on September 7, 2021 as evidenced by the Cabinet Minutes No. 11297 dated September 7, 2021, published on the Cabinet’s official website as available here: <https://www.gov.sz/images/SOE-Restructuring-Framework-in-Eswatini-1.pdf>, and to be implemented by the Borrower’s Cabinet.