
LOAN NUMBER 9332-ZA

Loan Agreement

(South Africa Covid-19 Response Development Policy Loan)

between

REPUBLIC OF SOUTH AFRICA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

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 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 seven hundred fifty million Dollars (USD 750,000,000), 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) of the General Conditions.
- 2.05. The Payment Dates are June 15th and December 15th 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: 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

- 5.01. The Additional Condition of Effectiveness consists of the following: 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 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:	E-mail:
(012) 323 8911	(012) 323 3262	Enoch.Godongwana@treasury.gov.za

- 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:	E-mail:
248423(MCI) or 64145(MCI)	1-202-477-6391	mmarienelly@worldbank.org

AGREED as of the Signature Date.

REPUBLIC OF SOUTH AFRICA

By

Dondo Mogajane

Authorized Representative

Name: Dondo Mogajane _____

Title: Director-General: National Treasury _____

Date: 03-Feb-2022 _____

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By

Marie Françoise Marie-Nelly

Authorized Representative

Name: Marie Françoise Marie-Nelly _____

Title: Country Director _____

Date: 26-Jan-2022 _____

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:
1. To protect vulnerable households from the economic impact of the COVID-19 crisis and to support informal sector workers, the Borrower, through its Department of Social Development, has issued directions through Government Notice No. 681, which: (a) re-introduce the COVID-19 Social Relief of Distress (SRD) Program that provides grants to unemployed and informal sector workers who are not eligible for unemployment insurance benefits; and (b) expand the SRD Program to include unemployed caregivers who receive child support grants on behalf of children.
 2. To keep people, especially low-wage workers, connected to their jobs and ready to work when firms re-open, the Borrower, through its Department of Employment and Labor, has issued directions through Government Notice No. 637, which: (a) enhance the targeting of the COVID-19 Temporary Employer-Employee Relief Scheme (TERS) allowing furloughed workers in hardest hit industries; and (b) allow targeted works to receive cash payments directly to their bank accounts, in response to the national lockdown during the third wave of COVID-19 infections.
 3. To improve the transparency, targeting, and efficiency of social grant programs, the Borrower, through its Department of Social Development, has issued directions through Government Notice No. 681, which introduce the use of electronic means to allow for digital application procedures and automated cross-checking to verify eligibility.
 4. To improve equitable access to COVID-19 vaccines, the Borrower, through its National Department of Health, has launched the South African Covid-19 Programme Registration, which introduces the use of an Electronic Vaccination Data System (EVDS), compliant with the applicable data protection and privacy legislation, in the rolling-out of the Borrower's COVID-19 vaccination program, setting the stage for future health emergencies, as further evidenced in the COVID-19 Implementation Guide and Toolkit.
 5. To increase the resilience of the financial sector, the Borrower, through its National Assembly, has approved the Financial Sector Laws Amendment Bill, which establishes a resolution regimen and enables provisions for the Corporation of Deposit Insurance.
 6. To enable the development of an effective climate change response and the long-term, just transition to a climate-resilient and lower-carbon society, the Borrower, through its Cabinet, has approved the National Climate Change Bill and its submission to Parliament.
 7. To more closely align South Africa with the Paris Climate Change Agreement, the Borrower, through its Cabinet, has approved the updated First Nationally Determined Contribution (NDC), which sets more ambitious greenhouse gas (GHG) mitigation targets for 2025 and 2030.

8. To increase competition and power generation capacity in the energy sector, the Borrower, through its Department of Mineral Resources and Energy, has amended Schedule 2 to the Electricity Regulation Act through Government Notice No. 737, which exempts from licensing embedded generation with a nominal installed capacity below 100 megawatts as per Schedule 2 to the Electricity Regulation Act.

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 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 Allocated (expressed in USD)
(1) Single Withdrawal Tranche	750,000,000
TOTAL AMOUNT	750,000,000

C. Withdrawal Tranche Release

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 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 June 30, 2023.

SCHEDULE 2

Disbursement-Linked Amortization Repayment Schedule – Level Repayment

1. Subject to the provisions of Section 3.03 of the General Conditions, the Borrower shall repay each Disbursed Amount in semiannual installments payable on each June 15th and December 15th, the first installment to be payable on the seventh (7th) Payment Date following the Maturity Fixing Date for the Disbursed Amount and the last installment to be payable on the twenty sixth (26th) Payment Date following the Maturity Fixing Date for the Disbursed Amount. Each installment except for the last one shall be equal to one-twentieth (1/20) of the Disbursed Amount. The last installment shall be equal to the remaining outstanding amount of the Disbursed Amount.
2. If any one or more installments of principal of the Disbursed Amount would, pursuant to the provisions of paragraph 1 of this Schedule, be payable after June 15, 2035, the Borrower shall also pay on such date the aggregate amount of all such installments.
3. The Bank shall notify the Loan Parties of the amortization schedule for each Disbursed Amount promptly after the Maturity Fixing Date for the Disbursed Amount.

APPENDIX

Definitions

1. “Cabinet” means the Borrower’s cabinet, which consist of the President, as head, the Deputy President, and ministers.
2. “Corporation of Deposit Insurance” means the corporation to be established for dealing with bank’s memberships at the date of the establishment of the deposited insurance scheme, new banking license applications, termination of memberships and changes in bank licenses are a result of mergers and acquisitions.
3. “COVID-19” means the coronavirus disease caused by the 2019 novel corona virus (SARSCoV-2).
4. “COVID-19 Implementation Guide and Toolkit” means the implementation guide and toolkit dated May 20, 2201 and adopted by the Borrower’s National Department of Health, which sets out standard operating procedures for purposes of carrying out the Borrower’s COVID-19 vaccination program.
5. “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.
6. “Electronic Vaccination Data System or “EVDS” means a management system that uses data entered by its users to plan the national vaccine roll-out by determining where to open vaccination sites and how many doses are needed at relevant locations.
7. “Financial Sector Laws Amendment Bill” means the bill introduced by the Borrower’s Minister of Finance to Parliament and approved by the National Assembly on September 7, 2021 (<https://www.parliament.gov.za/bill/2292271>).
8. “First Nationally Determined Contribution” means the Borrower’s First National Determined Contribution under the Paris Agreement dated September 2021, endorsed by Cabinet as per minutes of the Cabinet’s meeting of September 14, 2021.
9. “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).
10. “Government Notice No. 637” means the notice published in the Borrower’s Government Gazette No. 44874 of July 20, 2021.
11. “Government Notice No. 681” means the notice published in the Borrower’s Government Gazette No. 44938 of August 3, 2021.

12. “Government Notice No. 737” means the notice published in the Borrower’s Government Gazette No. 44989 of August 12, 2021.
13. “National Assembly” means the directly elected house of the Parliament.
14. “National Climate Change Bill” means the bill published by the Borrower’s Minister of Forestry, Fisheries and Environment through the Government Notice No. 1026 published in the Borrower’s Government Gazette No. 45200 of October 11, 2021.
15. “National Council of Provinces” means the upper house of the Parliament.
16. “Paris Climate Change Agreement” means the international treaty on climate change adopted by 196 parties on December 12, 2015 and entered into force on November 4, 2016, which aims at limiting global warming to below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels.
17. “Parliament” means the Borrower’s parliament, consisting of the National Assembly and the National Council of Provinces.
18. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated December 3, 2021, 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.
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. “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.
21. “Social Relief of Distress (SRD) Program” or “SDR Program” means the program created by the Borrower to introduce a special COVID-19 social relief of distress grant to be paid to individuals unemployed, do not receive any form of income, social grant, among others.
22. “South African Covid-19 Programme Registration” means the Borrower’s digital portal (www.vaccine.enroll.health.gov.za/#/) launched in April 2021, which aims to support the rolling out of the COVID-19 vaccination programme.
23. “Temporary Employer-Employee Relief Scheme” or “TERS” means the scheme created by the Borrower to assist employees who have lost income due to COVID-19, and the regulations limiting economic activity during the various levels of lockdown.