
GRANT NUMBER D6780-3A

Financing Agreement

(Regional Infrastructure Finance Facility Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA

GRANT NUMBER D6780-3A

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”), and COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (“Recipient” or “COMESA”).

WHEREAS:

- (A) the Recipient and TDB desire to support the expansion of long-term finance for infrastructure in Eastern and Southern Africa;
- (B) the Recipient, having satisfied itself as to the feasibility and priority of the Project, has requested the Association to assist in the financing of Part 3(b) of the Project (as defined below);
- (C) pursuant to a financing agreement entered into on or about the date hereof between the Association and TDB (the “TDB Financing Agreement”), the Association will extend to TDB credits (the “TDB Credits”) to assist in financing Parts 1, 2 and 3(a) of the Project on the terms and conditions set forth in the TDB Financing Agreement;
- (D) TDB shall be responsible for the implementation of Parts 1, 2 and 3(a) of the Project;
- (E) the Recipient shall be responsible for the implementation of Part 3(b) of the Project; and
- (F) the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the financing provided for in Article II of this Agreement to the Recipient upon the terms and conditions set forth in this Agreement.

NOW THEREFORE, 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 grant, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to seven million four hundred thousand Special Drawing Rights (SDR 7,400,000) (“Grant”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Grant 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 Grant Balance.
- 2.04. The Payment Dates are January 15 and July 15 in each year.
- 2.05. The Payment Currency is Dollar (USD).

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out Part 3(b) the Project in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following:
 - (a) The Recipient’s Charter has, in the opinion of the Association, been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Recipient to perform any of its obligations under this Agreement.
 - (b) The TDB Financing Agreement shall have failed to become effective by that the date that is one (1) year after the Effective Date of this Agreement, and such failure materially and adversely affects the Recipient’s ability to perform any of its obligations under this Agreement.
 - (c) The Association shall have suspended in whole or in part the right of TDB to make withdrawals, respectively, under the TDB Financing Agreement, and such suspension materially and adversely affects the Recipient’s ability to perform any of its obligations under this Agreement.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following: The Recipient has adopted the Project Operations Manual in accordance with the provisions of Section I.B of Schedule 2 to this Agreement.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 5.03. 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 (20) years after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is its Secretary General.
- 6.02. 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

- 6.03. For purposes of Section 11.01 of the General Conditions:

- (a) the Recipient's address is:

COMESA Secretariat
P.O. Box 30051
Lusaka,
Zambia; and

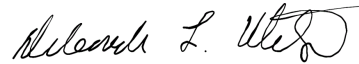
- (b) the Recipient's Electronic Address is:

Facsimile:	E-mail:
+260 211 225 107	secgen@comesa.int

AGREED as of the Signature Date.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Deborah wetzel

Title: Director, Regional Integration, Africa and MENA

Date: 03-Aug-2020

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA

By



Authorized Representative

Name: Ms. Chileshe Mpundu Kapwepwe

Title: Secretary GENERAL

Date: 03-Aug-2020

SCHEDULE 1

Project Description

The objective of the Project is to expand long-term finance to private firms in selected infrastructure sectors in Eastern and Southern Africa.

The Project consists of the following parts:

Part 1: Project and Infrastructure Finance Facility

Provision of a credit line for the financing of Infrastructure Sub-Projects through Infrastructure Sub-Credits.

Part 2: COVID-19 Infrastructure Sector SME Facility

Provision of a credit line for the provision of financing to Eligible SMEs through SME Sub-Credits.

Part 3: Technical Assistance

- (a) ***Capacity building and technical assistance to TDB.*** Strengthening of TDB's project and infrastructure finance capacity through the provision of capacity building and technical assistance for: (i) pipeline development, project development, and portfolio management; and (ii) environmental and social management capacity.
- (b) ***Capacity building and technical assistance to COMESA.*** Strengthening the enabling environment for private infrastructure finance and the establishment of a regional off-grid energy market, including through: (i) the harmonization of policies and regulations for cross-border infrastructure trade and investment; (ii) supporting regional integration in the off-grid energy sector; (iii) the carrying out of market development activities in the off-grid energy sector in selected fragile and conflict- and violence-affected countries.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Coordination Arrangements

The Recipient shall collaborate with TDB to establish, and thereafter maintain throughout the implementation of Part 3 of the Project, appropriate arrangements, to be set forth in the Project Operations Manual, to enable collaboration between the Recipient and TDB for the implementation of Part 3 of the Project. For the avoidance of doubt, this provision (a) shall apply in the context of implementation of Part 3 of the Project, and (b) is in no way intended to substitute the parties' respective obligations under Part 3 of the Project.

2. Project Team

- (a) The Recipient shall establish and thereafter maintain at all times during the implementation of the Project, a Project team (the "Project Team") within the Secretariat, with composition, powers, functions, staffing, facilities and other resources satisfactory to the Association. The Project Team shall be responsible for day-to-day management and implementation of the Project, including *inter alia*, preparation of annual work plans, environmental and social safeguards management, financial management, procurement, monitoring and evaluation, and reporting, within the established management structures of the Recipient.
- (b) Without limiting the foregoing, the Recipient shall, by no later than three (3) months after the Effective Date: (i) appoint, from among its senior staff, a Project coordinator; (ii) appoint from among its staff, or recruit, *inter alia*, a procurement specialist and a financial management specialist; all for the Project Team, and in each case with qualifications, experience and terms of reference acceptable to the Association.

B. Implementation Covenants

1. Project Operations Manual

- (a) The Recipient shall prepare and adopt a Project operations manual ("Project Operations Manual") containing detailed guidelines and procedures for the implementation of the Project, including with respect to: (i) Project administration and coordination; (ii) monitoring and evaluation, financial management, procurement and accounting

procedures; (iii) environmental and social risk management; (iv) corruption and fraud mitigation measures; (v) a grievance redress mechanism; (vi) roles and responsibilities for Project implementation; and (x) such other arrangements and procedures as shall be required for the effective implementation of the Project, in form and substance satisfactory to the Association.

- (b) The Recipient shall ensure that the Part 3(b) of the Project are carried out in accordance with the POM.
- (c) The Recipient shall ensure that the POM is not amended, suspended, repealed or abrogated without the prior written approval of the Association.
- (d) In the event of any conflict between the provisions of the POM, and, this Agreement, the provisions of this Agreement shall prevail.

2. **Annual Work Plans and Budget**

For purposes of implementation of Part 3(b) of the Project, the Recipient shall:

- (a) prepare a draft annual work plan and budget for each year of Project implementation, setting forth, *inter alia*: (i) a detailed description of the planned activities, including any proposed conferences and training, under Part 3(b) of the Project for the following year; (ii) the sources and proposed use of funds therefor; and (iii) responsibility for the execution of said Project activities, and budgets, start and completion dates, outputs and monitoring indicators to track progress of each such activity;
- (b) not later than October 30 of each year, furnish the draft annual work plan and budget for the following year to the Association for its review, and promptly thereafter finalize the draft annual work plan and budget, taking into account the Association's comments thereon; and
- (c) thereafter adopt and carry out such draft annual work plan and budget for Part 3(b) of the Project for the relevant year as shall have been agreed with the Association ("Annual Work Plan and Budget"), as such plan may be subsequently revised during such year with the prior written agreement of the Association.

C. **Environmental and Social Standards**

- 1. The Recipient shall ensure that Part 3(b) of 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 Part 3(b) of 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, and 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, 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.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient shall furnish to the Association each Project Report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester. The Recipient shall furnish to the Association financial reports and audited Financial Statements in accordance with the provisions of the General Conditions and the Disbursement and Financial Information Letter.

Section III. Withdrawal of the Proceeds of the Grant

A. General

1. 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 Grant to 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 Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, non-consulting services, consulting services, Training and Operating Costs for Part 3(b) of the Project	7,400,000	100%
TOTAL AMOUNT	7,400,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date
2. The Closing Date is September 26, 2025.

APPENDIX

Section I. Definitions

1. “Annual Work Plan and Budget” means an annual work plan and budget referred to in Section I.B.2 of Schedule 2 to this Agreement.
2. “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.
3. “Category” means a category set forth in the table in Section III.1 of Schedule 2 to this Agreement.
4. “COVID-19” means the coronavirus disease caused by the 2019 novel coronavirus (SARS-CoV-2).
5. “Eastern and Southern Africa” means the region of Africa consisting of the member states of the Recipient and TDB located in Sub-Saharan Africa.
6. “Eligible Country” means a country in Eastern and Southern Africa that is eligible to receive financing from the Association.
7. “Eligible SME” means a small to medium enterprise operating in an Eligible Country, involved in solar home system installation, off-grid electrification or in the infrastructure value chain, that satisfies the applicable eligibility criteria set forth in the TDB POM and to which TDB has made, or proposes to, provide an SME Sub-Credit.
8. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated May 26, 2020, 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.
9. “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 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.

10. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated July 14, 2017, with the modifications set forth in Section II of this Appendix.
11. “Infrastructure Sub-Project” means a specific infrastructure project implemented or to be implemented in an Eligible Country, that satisfies the applicable eligibility criteria and other requirements set forth in the TDB POM and which is, or is proposed to be, financed (in whole or in part) by TDB through an Infrastructure Sub-Credit.
12. “Infrastructure Sub-Credit Borrower” means an entity that satisfies the applicable eligibility criteria set forth in the TDB POM, and to which TDB has made or proposes to provide an Infrastructure Sub-Credit.
13. “Infrastructure Sub-Credit” means a loan made, or to be made, by TDB to an Infrastructure Sub-Credit Borrower using the proceeds of the TDB Credits, for purposes of financing an Infrastructure Sub-Project, and which satisfies the applicable eligibility criteria and other requirements for Infrastructure Sub-Credits set forth in the TDB POM.
14. “Operating Costs” means the reasonable expenses incurred by the Recipient on account of Project implementation, based on an Annual Work Plan and Budget approved by the Association, including: expenditures for maintenance of equipment, facilities and vehicles used for Project implementation, fuel, routine repair and maintenance of equipment, vehicles and office premises, communication and insurance costs, use of internet costs, stationery and other office supplies, utilities used for Project implementation, consumables, transport costs, travel, travel per diem costs, and accommodation expenses, workshop venues and materials, and costs of printing, photocopying and advertising, office rentals, bank charges, salaries of non-consultant contracted employees, but excluding salaries, top-ups, honoraria, or allowances of the Recipient’s staff.
15. “Procurement Regulations” means, for purposes of paragraph 87 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 Operations Manual" or "POM" means the manual referred to in Section I.B.1 of Schedule 2 to this Agreement, as such manual may be amended from time to time, with the prior written approval of the Association.
17. "Project Team" means the Recipient's Project Team referred to in Section I.A.2 of Schedule 2 to this Agreement.
18. "Recipient's Charter" means the Treaty Establishing the Common Market for Eastern and Southern Africa, signed on November 5, 1993.
19. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applied to all references to "the date of the Financing Agreement" in the General Conditions.
20. "SME Sub-Credit" means a loan made, or to be made, by TDB to an Eligible SME using the proceeds of the TDB Credits, and which satisfies the eligibility criteria and other requirements for SME Sub-Credits set forth in the TDB POM.
21. "TDB" means the Eastern and Southern African Trade and Development Bank, established pursuant to the TDB Charter.
22. "TDB Charter" means the Charter of the Eastern and Southern African Trade and Development Bank, adopted at the sixth meeting of the Council of Ministers of the Preferential Trade Area for Eastern and Southern African States held in Bujumbura on 6 November 1985, as amended and supplemented from time to time.
23. "TDB Credits" has the meaning set forth in the recitals to this Agreement.
24. "TDB Financing Agreement" has the meaning set forth in the recitals to this Agreement.
25. "TDB POM" means TDB's Project Operations Manual, as further defined in the TDB Financing Agreement.
26. "Training" means the reasonable costs associated with training, workshops and study tours provided under the Project, based on an Annual Work Plan and Budget approved by the Association, consisting of reasonable expenditures (other than expenditures for consultants' services) for: (a) travel, room, board and *per diem* expenditures incurred by trainers and trainees in connection with their training and by non-consultant training facilitators; (b) course fees; (c) training facility rentals; and (d) training material preparation, acquisition, reproduction and distribution expenses.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Section 2.06 is modified to read as follows:

“Section 2.06. *Financing Taxes*

The use of any proceeds of the Grant to pay for Taxes levied by, or in the territory of, the Member Country on or in respect of Eligible Expenditures, or on their importation, manufacture, procurement or supply, if permitted by the Legal Agreements, is subject to the Association’s policy of requiring economy and efficiency in the use of the proceeds of its credits and grants. To that end, if the Association at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the Association may, by notice to the Recipient, adjust the percentage of such Eligible Expenditures to be financed out of the proceeds of the Grant.”

2. Paragraphs (b) and (c) of Section 3.18 are modified to read as follows:

“(b) All Financing Payments shall be paid without restrictions of any kind imposed by, or in the territory of, the Member Country, and without deduction for, and free from, any Taxes levied by, or in the territory of, the Member Country.

(c) The Legal Agreements shall be free from any Taxes levied by, or in the territory of the Member Country, or in connection with their execution, delivery or registration.”

3. In Section 5.11, paragraph (a) is modified to read as follows:

“Section 5.11. *Visits*

“(a) The Recipient shall take all action necessary or useful to ensure that the Member Country affords all reasonable opportunity for representatives of the Association to visit any part of their territories for purposes related to the Grant or the Project.”

4. Section 6.01 is deleted in its entirety and the remaining section in Article VI is renumbered accordingly.

5. Section 8.02 is modified as follows:

(a) Paragraph (j) on *Membership* is modified to read as follows:

(j) *Membership.* The Member Country or any member of the Recipient: (i) has been suspended from membership in or ceased to be a member of the Association; or (ii) has ceased to be a member of the International Monetary Fund.”

(b) Paragraph (m) is renumbered as paragraph (n), and a new paragraph (m) is added to read as follows:

“(m) *Interference.* The Member Country: (i) has taken or permitted to be taken any action which would prevent or interfere with the execution of the Project or the performance by the Recipient of its obligations under the Financing Agreement; or (ii) has failed to afford a reasonable opportunity for representatives of the Association to visit any part of its territory for purposes relating to Grant or the Project.”

67. The Appendix (**Definitions**) is modified as follows:

(a) Paragraph 79 (Member Country) is modified to read as follows:

“79. “Member Country” means the member of the Association in whose territory the Project is carried out or any such member’s political or administrative subdivisions. If such activity is carried out in the territory of more than one such member, “Member Country” refers separately to each such member.”

(c) Paragraph 94 (Recipient) is modified to read as follows:

“94. “Recipient” means the party to the Financing Agreement to which the Grant is extended.”