
LOAN NUMBER 9174

Loan Agreement

(Eswatini Economic Recovery Development Policy Loan)

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: (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 forty million Dollars (USD40,000,000), 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 Fixed 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: 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: 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:

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

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: 04-Dec-2020

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By

Marie Françoise Marie-Nelly

Authorized Representative

Name: Marie Françoise Marie-Nelly

Title: Country Director

Date: 03-Dec-2020

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 the Covid-19 health response, the Borrower, through its Ministry of Health, has developed the National Contingency Plan for Novel Corona Virus, which establishes measures for controlling Covid-19 and slowing down the transmission of Covid-19.
2. To protect workers against the negative economic impact of Covid-19, the Borrower, through its Ministry of Labour and Social Security, has issued employment contingency measures, which provide for a contribution of E25 million for financing compensatory relief to employees who have suffered loss of earning as a result of being temporarily laid off without pay during the Covid-19 national emergency.
3. To provide liquidity to firms, the Borrower, through its Ministry of Finance and Revenue Authority, has approved the Covid-19 SMEs E90 million tax relief guidelines, which regulates the provision of a refund of up to hundred percent (100%) of business tax paid in the tax year 2019, effected on a month-by-month basis at twenty five percent (25%) for each moth completed during the Covid-19 national emergency.
4. To contribute to fiscal sustainability, the Borrower, through its Ministry of Finance, has adopted a transparency domestic expenditure arrears clearance strategy, including the list of verified arrears.
5. To enhance debt transparency, the Borrower, through its Ministry of Finance, has adopted and published for the first time an annual debt bulletin report for 2019, which contains information on loan details, debt service profile, interest and exchange rate fluctuations, and risk indicators.
6. To strengthen the procurement regulatory legal framework for improving transparency, accountability and promoting open competition, the Borrower, through its Cabinet, has submitted to the Parliament, the Public Procurement Regulations, which aim to promote competitive bidding.
7. To promote e-government and e-commerce, the Borrower, through its Cabinet, has submitted to Parliament the Electronic Communications and Transactions Bill, which aims to establish the legal foundations for the use of electronic means and strengthen online consumer protection.
8. To promote digital payments, the Borrower's Central Bank has issued circulars, which: (a) increase the mobile money daily and monthly transaction limits for mobile money service providers; and (b) encourage banks to waive all charges relating to transfers between bank accounts and mobile money wallets.

9. To facilitate the ease of business start-up, the Borrower: (a) has amended the Finance Act, which reverses the increase of trade license fees; and (b) through its Cabinet has approved the Trading Licenses Order Amendment Bill, which aims to reduce the time to issue trade licenses.

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 (except for amounts required to pay the Front-end Fee) 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 | 39,900,000 |
| (2) Front-end Fee | 100,000 |
| (3) Amount due pursuant to Section 4.05 (c) of the General Conditions | 0 |
| TOTAL AMOUNT | 40,000,000 |

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 Emalangenzi 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 Recipient 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 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 its audit as the Bank shall reasonably request.

F. Closing Date. The Closing Date is June 30, 2022.

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 February 15, 2024 through August 15, 2028 | 10% |

APPENDIX

Section I. Definitions

1. “COVID-19” means the coronavirus disease caused by the 2019 novel coronavirus (SARS-CoV-2).
2. “Electronic Communications and Transactions Bills” means the bill approved by the Borrower’s Cabinet on July 21, 2020 as evidenced by the Cabinet Minutes No. 9476 dated July 21, 2020 and submitted by the Borrower’s Minister of Information and Communications and Technology to the Borrower’s Parliament with a certificate of urgency dated September 4, 2020 as evidenced by the Order Paper No. 18/2020 issued by the Borrower’s House of Senate dated September 3, 2020.
3. “Finance Act” means the Finance Act (Amendment), 2020, published at the Eswatini Government Gazette No. 108 of July 17, 2020.
4. “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).
5. “National Contingency Plan for Novel Corona Virus” means the Borrower’s plan dated March 2020, prepared by the Borrower with the World Health Organization and other partners to respond to Covid-19 outbreak.
6. “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).
7. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated October 1, 2020 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.
8. “Public Procurement Regulations” means the regulations approved by the Borrower’s Cabinet on June 30, 2020 as evidenced by the Cabinet Minutes No. 9345 dated June 30, 2020 and submitted by the Borrower’s Minister of Finance to the Borrower’s Parliament as evidenced by the Order Paper No. 23/2020 issued by the Borrower’s House of Assembly dated July 17, 2020.
9. “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.
10. “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.

11. “SME” means small-medium enterprises.
12. “Trading Licenses Order Amendment Bill” means the Trading Licenses Order (Amendment) Bill, 2020 published at the Eswatini Government Gazette No. 110 of July 31, 2020.