
LOAN NUMBER 90120-SZ

Loan Agreement

(Eswatini Water Supply and Sanitation Access Project)

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”). The Borrower and the Bank 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-five million Dollars (USD 45,000,000), as such amount may be converted from time to time through a Currency Conversion (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section III of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. 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.
- 2.06. The Payment Dates are February 15th and August 15th in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with Schedule 3 to this Agreement.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article V of the General Conditions and, Schedule 2 to this Agreement and the Project Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Event of Suspension consists of the following: the Project Implementing Entity's Legal Framework has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.
- 4.02. The Additional Event of Acceleration consists of the following: the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consist of the following: the Subsidiary Agreement has been executed by the Borrower and the Project Implementing Entity, in accordance with Section I.B of Schedule 2 to this Agreement.
- 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:

248423(MCI) or
64145(MCI)

Facsimile:

1-202-477-6391

E-mail:

mmarienelly@worldbank.org

AGREED as of the Signature Date.

KINGDOM OF ESWATINI

By

Neal Rijkenberg

Authorized Representative

Neal Rijkenberg

Name: _____

Title: _____ Minister Finance Eswatini

Date: _____ 03-May-2020

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

By

Marie Françoise Marie-Nelly

Authorized Representative

Marie Françoise Marie-Nelly

Name: _____

Title: _____ Country Director

Date: _____ 01-May-2020

SCHEDULE 1

Project Description

The objective of the Project is to increase access to improved water supply and sanitation services in targeted areas of Eswatini.

The Project consists of the following parts:

Part 1: Resilient Water Access and Management

1. *Improved Water Access*

Expansion of the water supply transmission and distribution systems in the Shiselweni region to increase access to potable water through the: (a) construction of a transmission pipeline, reservoirs, pumping station and distribution network; (b) provision of technical assistance to prepare associated engineering designs and carry out construction supervision activities; and (c) improvements on energy efficiency, strategic asset management and non-revenue water reduction.

2. *Resilient Water Management*

Improving long-term management of water resources, investment planning and sustainability of water supply service provision and increasing drought resilience.

3. *Improving Eswatini's Drought Preparedness and Resilience*

Building resilience to climate and disaster risks, including the development and implementation of a drought monitoring and early warning system, and the development of a comprehensive country-wide climate and disaster risk assessment framework.

Part 2: Improved Sanitation Access

Reducing the incidence of water-related diseases and improving the quality of life of the beneficiaries in the Project area, through sanitation interventions that include: (a) expansion of access to domestic sanitation services in the Project area; (b) assessing and piloting out of selected technology options for on-site sanitation in informal settlements, health centers and schools; (c) piloting of child-centric water supply, sanitation and hygiene interventions in households with children under three (3) years old; (d) undertaking of complementary sanitation marketing (including menstrual hygiene management), supply chain enhancement and consistent behavior change programs to create sustained behavior change and buy-in to the Project outputs; (e) establishment of a rural water supply and sanitation system aimed at assessing the functionality of water and sanitation services to inform policy formulation, planning and resource allocation; and (f) providing

technical assistance to strengthen institutions, policies, data collection and planning, and long-term sustainability of sanitation services.

Part 3: Project Management

Providing support on project financial, procurement, environmental and social management, including preparation of progress reports and independent audits.

Part 4: Contingency Emergency Response

Provision of immediate response to an Eligible Crisis or Emergency, as needed.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

Project Steering Committee

By no later than one (1) month after the Effective Date, the Borrower shall establish and thereafter maintain, at all times during the implementation of the Project, a Project Steering Committee, with a mandate, terms of reference, composition, and resources satisfactory to the Bank, to be responsible for providing strategic guidance during the implementation of the Project. It shall comprise of high-level representatives from Ministry of Finance, Ministry of Economic Planning and Development, Ministry of Natural Resources and Energy (“MNRE”), Ministry of Health (“MOH”), Ministry of Education and Training, Ministry of Tinkhundla Administration and Development, Eswatini Water Services Corporation (“EWSC”) and National Disaster Management Agency (“NDMA”).

B. Subsidiary Agreement.

To facilitate the carrying out of the Project, the Borrower shall make the proceeds of the Loan available to the Project Implementing Entity under a subsidiary agreement between the Borrower and the Project Implementing Entity, under terms and conditions approved by the Bank (“Subsidiary Agreement”). The Borrower shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

C. Project Operations Manual.

1. The Borrower shall: (a) maintain throughout the implementation of the Project, a Project Operations Manual in a manner satisfactory to the Bank (“Project Operations Manual”); and (b) cause the Project Implementing Entity to maintain throughout the implementation of the Project, the Project Operations Manual in a manner satisfactory to the Bank.
2. The Borrower shall:
 - (a) carry out the Project, and cause the Project Implementing Entity to carry out the Project, in accordance with the Project Operations Manual, which

contains detailed guidelines and procedures for the implementation of the Project, including: administration and coordination; monitoring and evaluation; financial, procurement and accounting procedures; social and environmental safeguards; corruption and fraud mitigation measures; roles and responsibilities of various ministries, departments, agencies and the Project Implementation Entity in the implementation of the Project; and such other arrangements and procedures as shall be required for the effective implementation of the Project; and

- (b) except as the Bank shall otherwise agree in writing, not amend or waive, or permit to be amended or waived any provision of the Project Operations Manual.
3. In case of conflict between the provisions of the Project Operations Manual and this Agreement, the provisions of this Agreement shall prevail.

D. Environmental and Social Standards.

1. The Borrower shall, and shall cause the Project Implementing Entity to, ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Bank.
2. Without limitation upon paragraph 1 above, the Borrower shall, and shall cause the Project Implementing Entity to ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan (“ESCP”), in a manner acceptable to the Bank. To this end, the Borrower shall, and shall cause the Project Implementing Entity to, ensure that:
 - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, and as further specified in the ESCP;
 - (b) sufficient funds are available to cover the costs of implementing the ESCP;
 - (c) policies, procedures and qualified staff are maintained to enable it to implement the ESCP, as further specified in the ESCP; and
 - (d) the ESCP or any provision thereof, is not amended, revised or waived, except as the Bank shall otherwise agree in writing and the Borrower has, thereafter, disclosed the revised ESCP.
3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
4. The Borrower shall, and shall cause the Project Implementing Entity to:

- (a) take all measures necessary on its part to collect, compile, and furnish to the Bank through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Bank, information on the status of compliance with the ESCP and the management tools and instruments referred to therein, all such reports in form and substance acceptable to the Bank, 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) promptly notify the Bank 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, including, explosions, spills, and any workplace accidents that result in death, serious or multiple injury, pollution, or any violent labor unrest or dispute between the Project Implementing Entity and local communities, any case of gender-based violence, or any incidents in or related to international waterways or disputed areas, in accordance with the ESCP, the instruments referenced therein and the Environmental and Social Standards.
- 5. The Borrower shall, and shall cause the Project Implementing Entity to, maintain and publicize the availability of a grievance mechanism, in form and substance satisfactory to the Bank, to hear and determine fairly and in good faith all complaints raised in relation to the Project, and take all measures necessary to implement the determinations made by such mechanism in a manner satisfactory to the Bank.

E. Contingent Emergency Response

- 1. In order to ensure the proper implementation of contingent emergency response activities under Part 4 of the Project (“Emergency Response Part”), the Borrower shall:
 - (a) prepare and furnish to the Bank for its review and approval, a Contingency Emergency Response Manual (“CER Manual”) which shall set forth detailed implementation arrangements for the Emergency Response Part, including: (i) any additional institutional structures or arrangements for coordinating and implementing the Emergency Response Part; (ii) specific activities which may be included in the Emergency Response Part, Eligible Expenditures required therefor (“Emergency Expenditures”), and any procedures for such inclusion; (iii) financial management arrangements for the Emergency Response Part; (iv) procurement methods and procedures for the Emergency Response Part; (v) documentation required

for withdrawals of Emergency Expenditures; (vi) environmental and social standards management arrangements and instruments for the Emergency Response Part; and (vii) any other arrangements necessary to ensure proper coordination and implementation of the Emergency Response Part;

- (b) afford the Bank a reasonable opportunity to review the proposed CER Manual;
 - (c) promptly adopt the CER Manual for the Emergency Response Part as accepted by the Bank and integrate it as an annex to the Project Operations Manual;
 - (d) ensure that the Emergency Response Part is carried out in accordance with the CER Manual; provided, however, that in the event of any inconsistency between the provisions of the CER Manual and this Agreement, the provisions of this Agreement shall prevail; and
 - (e) not amend, suspend, abrogate, repeal or waive any provision of the CER Manual without prior written approval by the Bank.
2. The Borrower shall, throughout the implementation of the Emergency Response Part, maintain the institutional structures and arrangements established in accordance with the CER Manual, with adequate staff and resources satisfactory to the Bank.
3. The Borrower shall undertake no activities under the Emergency Response Part unless and until the following conditions have been met in respect of said activities:
- (a) the Borrower has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Bank a request to include said activities in the Emergency Response Part in order to respond to said Eligible Crisis or Emergency, and the Bank has agreed with such determination, accepted said request and notified the Borrower thereof; and
 - (b) the Borrower has ensured the preparation and disclosure of all safeguards instruments required for said activities, in accordance with the CER Manual, the Bank has approved all said instruments, and the Borrower has ensured implementation of any actions which are required to be taken under said instruments.
4. Notwithstanding any provision to the contrary in this Section, Emergency Expenditures required for activities included in the Emergency Response Part shall be procured in accordance with the procurement methods and procedures set forth in the CER Manual.

Section II. Project Monitoring Reporting and Evaluation

The Borrower shall cause the Project Implementing Entity to furnish to the Bank each Project Report not later than one (1) month after the end of each calendar quarter, covering the calendar quarter.

Section III. Withdrawal of Loan Proceeds

A. General.

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Borrower may withdraw the proceeds of the Loan to: (i) finance Eligible Expenditures; (ii) pay: (a) the Front-end Fee; and (b) each Interest Rate Cap or Interest Rate Collar premium; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive Taxes)
(1) Goods, works, non-consulting services, consulting services and Operating Costs under Parts 1, 2 and 3 of the Project	44,887,500	100%
(2) Emergency Expenditures under Part 4 of the Project	0	100%
(3) Front-end Fee	112,500	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(4) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 4.05 (c) of the General Conditions
TOTAL AMOUNT	45,000,000	

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
 - (a) for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed two million Dollars (USD 2,000,000) may be made for payments made prior to this date but on or after March 1, 2019, for Eligible Expenditures; and
 - (b) for Emergency Expenditures under Category 2, unless and until the Bank is satisfied, and notified the Borrower of its satisfaction, that all of the following conditions have been met in respect of said activities:
 - (i) the Borrower has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Bank a request to include said activities in the Emergency Response Part in order to respond to said crisis or emergency, and the Bank has agreed with such determination, accepted said request and notified the Borrower thereof;
 - (ii) the Borrower has ensured that all safeguard instruments required for said activities have been prepared and disclosed, and the Borrower has ensured that any actions which are required to be taken under said instruments have been implemented, all in accordance with the provisions of Section I.E of Schedule 2 to this Agreement;
 - (iii) the entities in charge of coordinating and implementing the Emergency Response Part have adequate staff and resources, in accordance with the provisions of Section I.E of this Schedule to this Agreement, for the purposes of said activities; and
 - (iv) the Borrower has adopted the CER Manual in form, substance and manner acceptable to the Bank and the provisions of the CER Manual remain or have been updated in accordance with the provisions of Section I.E of this Schedule so as to be appropriate for the inclusion and implementation of said activities under the Emergency Response Part.
2. The Closing Date is September 30, 2025.

SCHEDULE 3

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 th and August 15 th Beginning February 15 th , 2025 Through August 15 th , 2049	2%

APPENDIX

Definitions

1. “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.
2. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
3. “Contingency Emergency Response Manual” and the acronym “CER Manual” means the manual referred to in Section I.E of Schedule 2 to this Agreement, to be adopted by the Borrower for the Emergency Response Part and form part of the Project Operations Manual in accordance with the provisions of said Section.
4. “DWA” means the Department of Water Affairs or any successor thereto.
5. “EHD” means the Environmental Health Department or any successor thereto.
6. “Eligible Crisis or Emergency” means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Borrower, associated with a natural or man-made crisis or disaster.
7. “Emergency Expenditure” means any of the Eligible Expenditures set forth in the Contingency Emergency Response Manual in accordance with the provisions of Section I.E of Schedule 2 to this Agreement and required for the activities included in the Emergency Response Part of the Project.
8. “Emergency Response Part” means a specific activity or activities to be carried out in the event of an Eligible Crisis or Emergency under Part 4 of the Project.
9. “Environmental and Social Commitment Plan” or the acronym “ESCP” means the Project Implementing Entity’s environmental and social commitment plan, acceptable to the Bank, dated July 26, 2019, which sets out a summary of the material measures and actions to address the potential environmental and social risks and impacts of the Project, including the timing of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any instruments to be prepared thereunder; as the ESCP may be revised from time to time, with prior written agreement of the Bank, and such term includes any annexes or schedules to such plan.
10. “Environmental and Social Standards” 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”; and (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Bank at <http://pubdocs.worldbank.org/en/837721522762050108/Environmental-and-Social-Framework.pdf>.

11. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing”, dated December 14, 2018.
12. “MNRE” means the Borrower’s Ministry of Natural Resources and Energy or any successor thereto.
13. “MOH” means the Borrower’s Ministry of Health or any successor thereto.
14. “NDMA” means the Borrower’s National Disaster Management Agency or any successor thereto.
15. “Operating Costs” means the reasonable incremental operating expenses, approved by the Bank, incurred by the Project Implementing Entity on account of the Project implementation, management and monitoring, including operation and maintenance costs of vehicles and office equipment; bank charges, public awareness-related media expenditures, travel, supervision costs, and salaries of Project implementation support staff, but excluding the salaries of officials and public servants of the Borrower’s civil service.
16. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016, revised November 2017 and August 2018.
17. “Project Implementing Entity” means the Eswatini Water Services Corporation (previously known as the Swaziland Water Services Corporation), a government-owned public enterprise under MNRE with the mandate to provide water supply, as well as sewage treatment and disposal services to the country’s largest urban areas.

18. “Project Implementing Entity’s Legal Framework” means the Water Services Corporation Act of 1992.
19. “Project Operations Manual” means the manual dated September 4, 2019 referred to in Section I.C of Schedule 2 to this Agreement and Section I.B of the Schedule to the Project Agreement.
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. “Subsidiary Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement.