Strategic Climate Fund
Loan Agreement

(Lesotho Renewable Energy and Energy Access Project)

between

KINGDOM OF LESOTHO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as an implementing entity of the Scaling-up Renewable Energy Program
under the Strategic Climate Fund

Dated March 13, 2020
AGREEMENT dated March 13, 2020, entered into between:

KINGDOM OF LESOTHO ("Borrower") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("World Bank"), acting not in its individual capacity but solely in its capacity as an implementing entity of the Scaling-up Renewable Energy Program ("SREP") under the Strategic Climate Fund ("SCF").

The Borrower and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. The Standard Conditions (as defined in the Appendix to this Agreement) constitute an integral 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: (a) the Standard Conditions; (b) the Appendix to this Agreement; or (c) the Appendix of the IDA Financing Agreement with the following modifications: (i) the term "Recipient" shall be read as the "Borrower"; and (ii) the term "Association" shall be read as the "World Bank".

Article II
Loan

2.01. The World Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of eight million United States Dollars ($8,000,000) ("Loan"), to assist in financing Parts 2(a) and 2(b) of 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 IV of Schedule 2 to this Agreement.

2.03. The Loan is funded out of the resources made available to the World Bank as an implementing entity of the SCF. In accordance with Section 3.02 of the Standard Conditions (as defined in the Appendix to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it from the SCF trust fund, and the Borrower’s right to withdraw the Loan proceeds is subject to the availability of such funds.

2.04. The Service Charge payable by the Borrower on the Withdrawn Loan Balance shall be equal to one-tenths of one percent (1/10 of 1%) per annum.
2.05. The Payment Dates are May 15 and November 15 in each year.

2.06. The principal amount of the Loan shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is Dollar.

Article III
The Project

3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall: (a) cause the Project Implementing Entity to carry out Parts 1 and 2(a) of the Project; carry out Parts 2(b) and 3 of the Project through MEM; and (b) carry out Part 4 of the Project through the Coordinating Authority; all in accordance with the provisions of Article II of the Standard Conditions and the Project Agreement.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the World Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

Article IV
Effectiveness; Termination

4.01. The Additional Conditions of Effectiveness consist of the following:

(a) The IDA Financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled; and

(b) The SREP Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.

4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

Article V
Borrower’s Representative; Addresses

5.01. The Borrower’s Representative referred to in Section 10.02 of the Standard Conditions is the Minister responsible for finance.
5.02. The Borrower’s Address referred to in Section 10.01 of the Standard Conditions is:

Ministry of Finance
P.O. Box 395
Maseru 100
Kingdom of Lesotho

Facsimile:
(266) 22 310 157
(266) 22 310 622

5.03. The World Bank’s Address referred to in Section 10.01 of the Standard Conditions is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: Telex: Facsimile:
INDEVAS 248423 (MCI) or 1-202-477-6391
Washington, D.C. 64145 (MCI)
AGREED at March 19, 2020, as of the day and year first above written.

KINGDOM OF LESOTHO

By

Authorized Representative

Name: MOEKETSI MAJORD
Title: MINISTER

INTERNATIONAL DEVELOPMENT ASSOCIATION acting as an implementing entity of the Scaling-up Renewable Energy Program under the Strategic Climate Fund

By

Authorized Representative

Name: Marie-Francoise Marie-Nelly
Title: Country Director
The objective of the Project is to increase access to electricity in rural and peri-urban areas of the Borrower.

The Project consists of the parts set forth in Schedule 1 (Project Description) of the IDA Financing Agreement.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

1. The institutional and other arrangements described in Section I of Schedule 2 to the IDA Financing Agreement are hereby incorporated by reference in this Section with the modifications set forth below, and, unless the context otherwise requires, shall apply, mutatis mutandis, to the Loan, and the Borrower hereby undertakes to comply with the provisions thereof to the same extent as if such provisions had been set out in full in this Agreement with the following modifications: (a) the term “Recipient” shall be read as the “Borrower; and (b) the term “Association” shall be read as the “World Bank”.

2. For greater clarity and the avoidance of doubt, in view of the incorporation of Section I of Schedule 2 to the IDA Financing Agreement in this Agreement pursuant to the preceding paragraph, if the IDA Financing Agreement terminates prior to the termination of this Agreement, such termination shall have no effect for purposes of this Agreement, and the provisions of the IDA Financing Agreement incorporated in this Agreement pursuant to the preceding paragraph shall continue in full force and effect between the Borrower and the World Bank for purposes of this Agreement following and notwithstanding such termination of the IDA Financing Agreement.

B. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar quarter and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.

2. The Borrower shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report
shall be furnished to the World Bank not later than six (6) months after the Closing Date.

B. Financial Management; Financial Reports; Audits

1. The Borrower shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

3. The Borrower shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

Section III. Procurement

All goods, works, non-consulting services and consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in the Procurement Regulations and the provisions of the Procurement Plan.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article III of the Standard Conditions, this Section and such additional instructions as the World Bank may specify by notice to the Borrower (including the “Disbursement Guidelines for Investment Project Financing” dated February 2017, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocations of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consultants’ services, Training Costs and Incremental Operating Costs under Part 2(a) of the Project</td>
<td>3,500,000</td>
<td>64%</td>
</tr>
<tr>
<td>(2) Goods, works, non-consulting services, consultants’ services, Training Costs and Incremental Operating Costs under Part 2(b) of the Project</td>
<td>4,500,000</td>
<td>31%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>8,000,000</td>
<td></td>
</tr>
</tbody>
</table>

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed USD 1,600,000 may be made for payments made prior to this date but on or after December 5, 2019, for Eligible Expenditures.

2. The Closing Date is January 31, 2027.
**SCHEDULE 3**

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Loan repayable (expressed as a percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 15 and November 15:</td>
<td></td>
</tr>
<tr>
<td>commencing May 15, 2030 to and including November 15, 2039</td>
<td>1%</td>
</tr>
<tr>
<td>commencing May 15, 2040 to and including November 15, 2059</td>
<td>2%</td>
</tr>
</tbody>
</table>
APPENDIX

Section I. Definitions


2. “Category” means a category set forth in the table in Section IV.A of Schedule 2 to this Agreement.

3. “IDA Financing Agreement” means the agreement signed between the Recipient and the Association for the financing of Parts 1, 2(b) and 4 of the Project.

4. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated December 5, 2019, and provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the World Bank.


6. “Scaling-up Renewable Energy Program” or “SREP” means the program established under the Strategic Climate Fund in accordance with the Governance Framework for the Strategic Climate Fund for the purposes set forth in the SREP Design Document.