CREDIT NUMBER 6151-LS

Financing Agreement

(Lesotho Transport Infrastructure and Connectivity Project)

between

KINGDOM OF LESOTHO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
AGREEMENT dated as of the Signature Date between KINGDOM OF LESOTHO ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). 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 credit, deemed by the Association to be on concessional terms, as set forth or referred to in this Agreement, in an amount equivalent to thirteen million Special Drawing Rights (SDR13,000,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing 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 Financing Balance.

2.04. The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.

2.05. The Interest Charge is one and a quarter percent (1.25%) per annum on the Withdrawn Credit Balance.

2.06. The Payment Dates are March 15 and September 15 in each year.
2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.08. The Payment Currency is Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01. The Additional Condition of Effectiveness consists of the following, namely that the Recipient has adopted the Operational Manual, in form and substance satisfactory to the Association.

4.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

4.03. 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 V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is the Minister responsible for finance.

5.02. For purposes of Section 11.01 of the General Conditions:

(a) the Recipient’s address is:

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

(b) the Recipient’s Electronic Address is:

  Facsimile:
5.03. 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
AGREED as of the Signature Date.

KINGDOM OF LESOTHO

By

Authorized Representative

Name: Dr. Moeketsi Majoro
Title: Minister of Finance
Date: November 30, 2017

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Janet K. Entwistle
Title: Country Representative
Date: November 30, 2017
SCHEDULE 1

Project Description

The objectives of the Project are to (a) improve access to social services and markets in targeted rural areas of Lesotho, (b) strengthen road safety management capacity, and (c) improve the Recipient’s capacity to respond promptly and effectively to an Eligible Crisis or Emergency.

The Project consists of the following parts:

Part A Improving Infrastructure Access

1. Carrying out the construction of approximately 35 footbridges, including the provision of technical advisory services to: (a) prepare and design any required site specific Safeguard Instruments for the footbridges, when such sites are identified; (b) conduct an assessment study for introduction of Output and Performance-based Contracting ("OPRC") methods in the road sector; and (c) monitor and supervise the works contracts and develop the Project monitoring and management system to ensure transparency and accountability in managing works.

Part B Improving Road Safety

1. Carrying out a program of activities for: (a) building the capacity of the relevant staff of the Road Safety Department and National Road Safety Council to effectively address road safety; (b) acquisition of vehicles for the Road Safety Department and road safety equipment for the Road Safety Department and traffic police; and (c) deployment of road accident data management system to improve the systematic recording and reporting of road accidents.

2. Implementing an integrated vehicle registration and drivers’ licensing system, and a traffic management information system; and carrying out a needs assessment and system specification for establishment of a proposed Lesotho integrated transport information system.

Part C Institutional Strengthening Support to the Transport Sector

1. Strengthening the institutional capacity of the transport sector and building the capacity of the Roads Directorate and MoPWT for implementation of the Project, in particular:

   (a) Provision of technical advisory services for preparation of national transport master plan, including institutionalization of cross-sectoral coordination in transport planning and decision-making.
(b) Strengthening the institutional capacity of the Roads Directorate and MoPWT for Project implementation.

(c) Implementation of citizen engagement mechanisms and HIV/AIDS and gender-targeted activities, including carrying out of a program of activities, *inter alia*: (i) behavior change and awareness raising activities on HIV/AIDS prevention; (ii) awareness raising and behavior change training activities on prevention of gender-based violence, care and reporting mechanisms; (iii) establishment of gender-balanced monitoring committees in each participating community to facilitate a continuous dialogue and collaboration between communities, the Roads Directorate, and contractors; and (iv) development of a citizen engagement and grievance redress mechanisms to facilitate feedback reporting and concerns associated with the implementation of the Project.

(d) Building the capacity of the staff of Roads Directorate, Road Fund, and MoPWT and local industry contractors, and provision of training to said staff on OPRC contract management and pricing methods.

(e) Provision of technical assistance to the Roads Directorate and Road Fund in designing and piloting community-based maintenance schemes to address sustainability of road assets.

Part D  **Contingency Emergency Response Component**

1. Providing immediate response to an Eligible Crisis or Emergency, as needed.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Ministry of Public Works and Transport (MoPWT).

   (a) The Recipient shall coordinate Project implementation through the Roads Directorate and the Planning Unit of the MoPWT.

   (b) The Roads Directorate and Planning Unit shall be responsible for day-to-day management and implementation of the Project, in accordance with the provisions of the Operation Manual, including the responsibility for financial management, procurement, disbursement, monitoring of environmental and social safeguards, reporting, monitoring and evaluation of the project activities. To this end, the Roads Directorate shall have full responsibility for the implementation and management of Part A of the Project.

   (c) The Recipient shall, at all times during the implementation of the Project, maintain the Roads Directorate and the Planning Unit with qualified and experienced staff in adequate numbers, terms of reference, resources and functions, satisfactory to the Association, in accordance with the Operational Manual.

2. Project Steering Committee

   (a) The Recipient shall maintain the PSC with a mandate, resources and terms of reference, in form and substance satisfactory to the Association.

   (b) The PSC shall be responsible for providing overall strategic guidance on Project implementation, including review and validation of the Annual Work Plans, Project evaluation and progress reports, and Project financial management and accounting reports. To this end, the PSC will be chaired by the Principal Secretary of the MoPWT and will be comprised of high level representatives of the Roads Directorate, Road Fund, the Ministries in charge of local government, planning, finance, tourism, environment and culture, agriculture, trade and industry, and traffic police.
B. Operational Manual

1. The Recipient shall ensure that the Project is carried out in accordance with the Operational Manual and, except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, or waive the Operational Manual, or any provision thereof.

2. In the event of any conflict between the provisions of the Operational Manual and those of this Agreement, the provisions of this Agreement shall prevail.

C. Annual Work Plan and Budget

1. The Recipient shall, not later than March 31 of each year, prepare and furnish to the Association an annual work plan and budget ("Annual Work Plan and Budget") for the Project for the subsequent year, said Annual Work Plan and Budget of such scope and detail as the Association shall have reasonably requested.

2. For any training to be included in an Annual Work Plan and Budget, the Recipient shall, inter alia, identify: (a) particulars of the training envisaged; (b) the criteria for selection of the personnel to be trained, and such personnel, if known; (c) the selection method of the institution or individuals conducting such training; (d) the institution conducting such training, if known; (e) the purpose and justification for such training; (f) the location and duration of the proposed training; and (g) the estimate of the cost of such training, of such scope and detail as the Association shall have reasonably requested.

3. The Recipient shall afford the Association a reasonable opportunity to review such Annual Work Plan and Budget, and, thereafter, the Recipient shall carry out Annual Work Plan and Budget as shall have been approved by the Association. Only the activities included Annual Work Plan and Budget shall be eligible for financing.

4. The Annual Work Plan and Budget may be revised as required during Project implementation subject to the Association's prior written approval.

D. Environmental and Social Safeguards

1. The Recipient shall implement the Project in accordance with the Environmental and Social Management Framework ("ESMF"), the Environmental and Social Management Plan ("ESMP"), the Resettlement Policy Framework ("RPF"), and any environmental and social management plan(s), and any resettlement action plan(s) ("Safeguard Instruments"). To this end, the Recipient shall ensure that the following actions are taken in a manner acceptable to the Association:
(a) if an environmental management plan would be required on the basis of the ESMF: (i) such environmental management plan shall be prepared in accordance with the requirements of the ESMF, disclosed locally and furnished to the Association as part of the Annual Work Plan and Budget; and (ii) the works shall be carried out in accordance with such environmental management plan as approved by the Association; and

(b) If a resettlement plan would be required on the basis of the RPF, said resettlement plan shall be prepared in accordance with the requirements of the RPF, disclosed locally and furnished to the Association for disclosure.

2. Without limitation to paragraphs E.1 of this Section, the Recipient shall ensure that no works for any section of an access road, footbridges or other works shall commence until:

(a) all resettlement measures set forth in any resettlement action plan(s) shall have been fully executed, including the full payment of compensation prior to displacement and/or the provision of relocation assistance to all Affected Persons;

(b) all land acquisition required for such works shall have been concluded and such land shall be free of encumbrances and ready to be handed over, all in a manner acceptable to the Association; and

(c) all plans, programs and actions as required by the applicable Safeguards Instruments have been fully developed and shall have entered into effect.

3. The Recipient shall include in the Project Reports referred to in Section II.A of this Schedule adequate information on the implementation of the Safeguard Instruments, giving details of:

(a) measures taken in furtherance of the Safeguards Instruments;

(b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the ESMP, or any environmental and social management plan(s), or any resettlement action plan(s); and

(c) remedial measures taken or required to be taken to address such conditions and to ensure the continued efficient and effective implementation of the ESMP, or any environmental management plan(s), or resettlement action plan(s).
E. **Contingent Emergency Response under Part D of the Project**

In order to ensure the proper implementation of Part D of the Project ("Contingent Emergency Response") ("IRM Part"), the Recipient shall take the following measures.

1. The Recipient shall:

(a) prepare and furnish to the Association for its review and approval, an operations manual which shall set forth detailed implementation arrangements for the IRM Part, including: (i) designation of, terms of reference for and resources to be allocated to, the entity to be responsible for coordinating and implementing the IRM Part ("Coordinating Authority"); (ii) specific activities which may be included in the IRM Part, Eligible Expenditures required therefor ("Emergency Expenditures"), and any procedures for such inclusion; (iii) financial management arrangements for the IRM Part; (iv) procurement methods and procedures for Emergency Expenditures to be financed under the IRM Part; (v) documentation required for withdrawals of Emergency Expenditures; (vi) environmental and social safeguard management frameworks for the IRM Part, consistent with the Association’s policies on the matter; and (vi) any other arrangements necessary to ensure proper coordination and implementation of the IRM Part;

(b) afford the Association a reasonable opportunity to review said proposed operations manual;

(c) promptly adopt such operations manual for the IRM Part as shall have been approved by the Association ("IRM Operations Manual");

(d) ensure that the IRM Part is carried out in accordance with the IRM Operations Manual; provided, however, that in the event of any inconsistency between the provisions of the IRM Operations Manual and this Agreement, the provisions of this Agreement shall prevail; and

(e) not amend, suspend, abrogate, repeal or waive any provision of the IRM Operations Manual without prior approval by the Association.

2. The Recipient shall, throughout the implementation of the IRM Part, maintain the Coordinating Authority, with adequate staff and resources satisfactory to the Association.

3. The Recipient shall undertake no activities under the IRM Part (and no activities shall be included in the IRM Part) unless and until the following conditions have been met in respect of said activities:
(a) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the IRM Part in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;

(b) the Recipient has prepared and disclosed all safeguards instruments required for said activities, in accordance with the IRM Operations Manual, the Association has approved all such instruments, and the Recipient has implemented any actions which are required to be taken under said instruments.

4. **Procurement of Emergency Expenditures under the IRM Part of the Project**

Emergency Expenditures required for the IRM Part of the Project shall be procured in accordance with the procurement methods and procedures set forth in the IRM Operations Manual.

F. **Other Implementation Covenant: Road Traffic Bill**

The Recipient shall not later than March 31, 2018 submit to the Parliament for consideration and approval, the Road Traffic Bill of 2017 amending the Road Traffic Act No. 6 of 1981.

**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 six calendar months, covering the six calendar months.

**Section III. Withdrawal of the Proceeds of the Financing**

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 Financing to: (a) finance Eligible Expenditures; and (b) repay the Preparation Advance; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:
Category | Amount of the Credit (expressed in SDR) | Percentage of Expenditures to be Financed (inclusive of Taxes)
---|---|---
(1) Goods (to include vehicles), works, non-consulting services, consulting services, Operating Costs and Training for the Project | 9,450,000 | 100%
(2) Emergency Expenditures under Part D of the Project | 0 | 100%
(3) Refund of Preparation Advance | 3,550,000 | Amount payable pursuant to Section 2.07 (a) of the General Conditions
TOTAL AMOUNT | 13,000,000 | 

2. Notwithstanding the provisions of paragraph 1 above, no withdrawal shall be made:

(a) for payments made prior to the Signature Date; or

(b) under Category (2), for Emergency Expenditures, under Part D of the Project, unless and until the Association is satisfied, and notified the Recipient of its satisfaction, that all of the following conditions have been met in respect of said activities:

(i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the IRM Part in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;

(ii) the Recipient has prepared and disclosed all safeguards instruments required for said activities, and the Recipient has implemented any actions which are required to be taken under said instruments, all in accordance with the provisions of Section I.D of Schedule 2 to this Agreement;

(iii) the Recipient’s Coordinating Authority has adequate staff and resources, in accordance with the provisions of Section I.D of this Schedule 2 to this Agreement, for the purposes of said activities; and
(iv) the Recipient has adopted an IRM Operations Manual in form, substance and manner acceptable to the Association and the provisions of the IRM Operations Manual remain, or have been updated in accordance with the provisions of Section I.D of this Schedule 2 so as to be appropriate for the inclusion and implementation of said activities under the IRM Part.

3. The Closing Date is December 31, 2023.
<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each March 15 and September 15:</td>
<td></td>
</tr>
<tr>
<td>commencing March 15, 2023 to and including September 15, 2042</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing March 15, 2043 to and including September 15, 2047</td>
<td>3.40%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.05 (b) of the General Conditions.
APPENDIX

Definitions

1. "Affected Persons" means persons who, on account of the execution of the Project had or would have their: (i) standard of living adversely affected; or (ii) right, title, interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected.

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. "Annual Work Plan and Budget" means each annual work plan, together with the related budget, for the Project approved by the Association pursuant to the provisions of Section I.C of Schedule 2 to this Agreement.

4. "Category" means a category set forth in the table in Section III.1 of Schedule 2 to this Agreement.

5. "Contingent Emergency Response Implementation Plan” and "CERIP" each means the plan referred to in Section I.E of Schedule 2 to this Agreement, to be adopted by the Recipient for the Emergency Response Component in accordance with the provisions of said Section; and “Contingent Emergency Response Implementation Plans” and “CERIPs” each means, two or more such plans.

6. "Coordinating Authority" means the entity or entities designated by the Recipient in the IRM Operations Manual and approved by the Association pursuant to Section I.D of Schedule 2 to this Agreement, to be responsible for coordinating the IRM Part of the Project.

7. "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 Recipient, associated with a natural or man-made crisis or disaster.

8. "Emergency Expenditure" means any of the Eligible Expenditures set forth in the IRM Operations Manual in accordance with the provisions of Section I.D of Schedule 2 to this Agreement and required for the activities included in the IRM Part of the Project.
9. "Environmental and Social Management Framework" or "ESMF" means the document of the Recipient dated June 2017, and disclosed by the by the Recipient on June 22, 2017, and by the Association on July 28, 2017, setting forth the modalities for environmental screening and procedures for the preparation and implementation of environmental assessments and management plans under the Project, and such term includes all schedules and annexes to the ESMF.

10. "Environmental Social and Management Plan" or "ESMP" means the site-specific ESMP for the construction of nineteen (19) footbridges for pedestrian crossing, said ESMP dated June 2017, and disclosed by the Recipient on June 27, 2017, and by the Association on August 1, 2017, setting out, inter alia, details of measures to manage potential environmental and social risks and avoid, minimize, mitigate and/or compensate any adverse environmental and social impacts associated with the implementation of Project activities (including measures designed to prevent gender based violence and child abuse), together with adequate budget, institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms, as said plan may be modified from time to time with the prior written no-objection of the Association, and such term includes any annexes and schedules to such plan.


12. "Immediate Response Mechanism Operations Manual" and "IRM Operations Manual" each means the operations manual referred to in Section I.D of this Agreement, to be adopted by the Recipient for the IRM Part of the Project in accordance with the provisions of said Section.

13. "IRM Part of the Project" and "IRM Part" each means Part D of the Project.


15. "National Road Safety Council" means the council established and operating pursuant to Road Traffic Act of the laws of the Recipient.

16. "Operating Costs" means the incremental operating cost, based on Annual Work Plans, and arising under the Project, based on Annual Work Plans on account of Project coordination, implementation and monitoring activities, including office supplies, vehicle operation and maintenance costs, utilities, communication charges, per diems and travel allowances, but excluding the salaries of the Recipient's civil service and sitting allowances.
17. "Operational Manual" means the Recipient's manual referred to in Section 4.01 of this Agreement, and in Section I.B of Schedule 2 to this Agreement, as said manual may be amended from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such manual.

18. "Output and Performance-based Contracting" or "OPRC" means a multi-year approach to contracting the construction, management, maintenance of roads.

19. "Planning Unit" means the planning unit within the MoPWT.

20. "Preparation Advance" means the advance referred to in Section 2.07 (a) of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on February 25, 2016, and on behalf of the Recipient on March 3, 2016.

21. "Procurement Regulations" means, for purposes of paragraph 87 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for Borrowers under Investment Project Financing", dated July 1, 2016.

22. "Project Steering Committee" or "PSC" means the committee referred to in Section I.A.2 of Schedule 2 to this Agreement.

23. "Resettlement Policy Framework" or "RPF" means the Resettlement Policy Framework of the Recipient dated May 2017, and disclosed by the by the Recipient on June 22, 2017, and by the Association on July 28, 2017, setting forth the modalities for preparation and implementation of a resettlement action plan(s), including resettlement and compensation of Affected Persons under the Project, as the same may be amended from time to time with the agreement of the Association.


25. "Roads Directorate" means the roads directorate a semi-autonomous agency established within the MoPWT and operating pursuant to the Roads Directorate Act 2010, of the laws of the Recipient.

26. "Road Fund" means the fund established and operating pursuant to Finance Act of 1995, of the laws of the Recipient.

27. "Road Safety Department" means the road safety department within MoPWT, or any successor thereto.

28. "Safeguard Instruments" means the ESMF, ESMP, RPF, any environmental and social management plan(s), and any resettlement action plan(s) for the Project.
29. "Signature Date" means the latest 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.

30. "Training" means training of persons involved in Project-supported activities, based on Annual work Plans approved by the Association, such term including seminars, workshops, and study tours, and costs associated with such activity such as travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to training preparation and implementation.