Financing Agreement

(Additional Financing for Second Private Sector Competitiveness and Economic Diversification Project)

between

KINGDOM OF LESOTHO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated MAY 22, 2017
FINANCING AGREEMENT

Agreement dated MAY 22, 2017, entered into between KINGDOM OF LESOTHO ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). 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) 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 the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to ten million Special Drawing Rights (SDR 10,000,000) (variously, "Credit" and "Financing"), to assist in financing of 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 IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.

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 through the MTI in accordance with the provisions of Article IV of the General Conditions.

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

ARTICLE IV — TERMINATION

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

4.02. For purposes of Section 8.05(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 years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

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

5.02. The Recipient's Address is:

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

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

6.03. The Association's Address is:

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

Telex: 248423 (MCI) Facsimile: 1-202-477-6391
AGREED at Maseru, Lesotho, as of the day and year first above written.

KINGDOM OF LESOTHO

By [Signature]
Authorized Representative

Name: Tlohang Sekhamane
Title: Minister of Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By [Signature]
Authorized Representative

Name: Janet K. Entwistle
Title: Country Representative
SCHEDULE 1

Project Description

The objective of the Project is to improve the business environment for firms, strengthen select government institutions, and further diversify the economy.

The Project consists of the Original Project amended as follows:

Part 1. Improving the Business Environment

A. Carrying out a program of activities to facilitate the operations of businesses, in particular:

1.1 (a) Strengthening the One Stop Business Facilitation Centre (OBFC), including developing the OBFC’s legal and regulatory framework, integrating the business registration system with LRA’s system to issue tax identifier numbers; strengthening the OBFC’s management, designing and implementing a capacity building program for the OBFC, completing necessary technology upgrades, developing and deploying a reform communication strategy, and creating public access sites in various districts for OBFC and other government-to-business services.

(b) Strengthening the capacity of relevant ministries, departments and agencies (MDAs) and government institutions to facilitate the process towards the enactment of the business registration and licensing bill, and the implementation of automated business licensing and e-payment gateway service at the OBFC.

1.2 Improving business inspection reform, including review of the legal and regulatory framework, the training of inspectors, development of a business inspections policy, and associated manuals, risk-assessment tools, and training modules for implementation of said inspection policy.

B. Carrying out a program of activities to support the automation of the construction permit system, in particular, the implementation of an e-payment system, and said system support and maintenance.

C. Carrying out a program of activities to facilitate access to finance, in particular:

1.1 Expanding the Credit Information Bureau (CIB) to include businesses, and carrying out the reform of the related legal and regulatory framework.

1.2 Provision of training to enable microfinance institutions to use various new credit information tools being developed under the Project.

1.3 Building capacity to facilitate the establishment of a movable assets collateral registry, including: (a) conducting campaigns to raise public awareness of said registry;
(b) developing a mobile application; (c) developing and implementing a capacity building program specifically for credit providers; and (d) facilitating continuous alignment and harmonization of related laws.

1.4 Facilitating the establishment of a leasing industry through the provision of technical advisory services on financial leasing for credit providers.

1.5 Building capacity to facilitate proposed insolvency reforms, including: (a) conducting campaigns to raise public awareness of a proposed insolvency bill; and (b) provision of training to staff of the Master of the High Court, the judiciary, and insolvency practitioners; and (c) design and implementation of related ICT systems.

1.6 Carrying out an institutional assessment of the Office of the Parliamentary Counsel, including developing and implementing a capacity building plan.

D. Carrying out a program of activities designed to facilitate trade and logistics, in particular:

1.1 Strengthening the Customs operations, specifically upgrading ASYCUDA World, including additional modules, and provision of redundancy in the system.

1.2 Preparing and developing a single window that could connect selected government agencies involved in trade.

Part 2. Supporting Economic Diversification

A. Carrying out a program of activities designed to facilitate:

1.1 The re-organization of the Lesotho National Development Corporation (LNDC), and implementation support for the resulting entity(ies).

1.2 The development of a private sector development strategy;

1.3 The scale-up of local supplier development (linkages) between large and small and foreign and local businesses and capacity building in the relevant MDAs and government institutions to sustain such a program.

B. Carrying out a program of activities for the tourism sector, including:

1.1 Carrying out the construction of the tourism and handicraft information center.

1.2 Developing and implementing a business plan for the handicrafts sector.
C. Carrying out a program of activities designed to support commercial horticulture, in particular:

1.1 Facilitating the existing commercial horticulture farms to render them commercially sustainable, inter alia, increasing the level of entrepreneurial responsibilities of the shareholders of said farms, upgrading the irrigation system, and developing and implementing a marketing and distribution strategy.

1.2 Developing a research and training center to conduct applied research and provide training to existing and potential farmers.

1.3 Developing and implementing a capacity building program for international quality and standards for farmers, trainers, auditors and officials of the relevant government ministries, departments and agencies.

1.4. Integrating horticulture suitability maps with the master irrigation plans.

1.5 Strengthening the capacity of financial institutions to effectively assess business plans, conduct due diligence, and gauge risks in the fresh fruit sector.

1.6. Developing a targeted investor attraction program.

1.7 Facilitating the development of agri-logistics, including, carrying out of a feasibility study for a packhouse.

D. Carrying out a program of activities (Subprojects) designed to enhance firms and build the capacity of the private sector supporting institutions under the Lesotho Enterprise Assistance Program (LEAP), through the provision of LEAP grants to eligible private firms.

Part 3. Project Implementation Support

Strengthening the capacity of the PMU for Project implementation, including recruitment of a horticulture coordinator, and an investment climate/business environment office.
Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall maintain, throughout Project implementation, the following arrangements, in form and substance and with resource and functions satisfactory to the Association and as further detailed in the PIM:

   (a) the PSC, headed by the Principal Secretary of MTI and comprising of principal secretaries from, *inter alia*, MTEC, MAFS, MFRSC, MOF, MDP, the Recipient's Deputy Governor of the Central Bank, the Recipient's Town Clerk of the Maseru City Council, the Recipient's Parliamentary Counsel, the Recipient's Master of High Court and the chief executive officers from LNDC, LRA and LTDC. The PSC shall review and monitor the implementation progress of the Project and help resolve technical and implementation problems affecting the Project's progress; and

   (b) the PMU, headed by a Project manager and with qualified staff in adequate numbers, to discharge all functions and responsibilities as detailed in the PIM, including a financial manager and a procurement manager.

B. Project Implementation Manual

1. The Recipient shall carry out the Project in accordance with the Project Implementation Manual; provided, however, that, in the event of any conflict between the provisions of the Project Implementation Manual and those of this Agreement, this Agreement shall prevail.

2. Except as the Association shall otherwise agree, the Recipient shall not amend or waive any provision of the Project Implementation Manual if, in the opinion of the Association, such amendment or waiver could materially and adversely affect the implementation of the Project.

C. Anti-Corruption

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

D. Sub-projects

1. The Recipient shall make LEAP Grants to Beneficiaries in accordance with eligibility criteria and procedures set forth in the LEAP Operational Manual and in the PIM acceptable to the Association.
2. The Recipient shall make each LEAP Grant under a LEAP Grant Agreement with the respective Beneficiary on terms and conditions approved by the Association, which shall include the following:

(a) the LEAP Grant shall be made in Maloti on grant basis;

(b) the Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to require each Beneficiary to:

(A) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, and managerial practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient;

(B) provide, promptly as needed, the resources required for the purpose;

(C) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Sub-project and the achievement of its objectives;

(D) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project; and (2) at the Association’s or the Recipient’s request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association;

(E) enable the Recipient and the Association to inspect the Sub-project, its operation and any relevant records and documents; and

(F) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

3. The Recipient shall exercise its rights under each LEAP Grant Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any LEAP Grant Agreement or any of its provisions.
E. Environmental and Social Safeguards

1. The Recipient shall ensure that the Project is carried out in accordance with the relevant Safeguard Documents.

2. To this end, the Recipient shall take, or cause to be taken, the following measures in a manner acceptable to the Association:
   (a) Project activities, including Sub-projects, shall be screened in accordance with the ESMF to determine if any ESMP is needed.
   (b) Whenever an ESMP would be required on the basis of the ESMF: (i) each such ESMP shall be prepared in accordance with the requirements of the ESMF, adopted and disclosed by the Recipient, and subject to prior approval by the Association; and (ii) the Recipient shall refrain from financing any civil works contract during Project implementation unless and until such ESMP has been prepared in accordance with the ESMF, adopted and disclosed by the Recipient, and approved by the Association.

3. The Recipient shall not amend, waive or otherwise modify any provision of the Safeguard Documents without the prior written consent of the Association (or permit them to be so amended, waived or otherwise modified).

4. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall regularly collect, compile and submit to the Association, in accordance with Section II of this Schedule 2 to this Agreement, reports on the status of compliance with the applicable Safeguard Documents, giving details of:
   (a) measures taken in furtherance of the Safeguard Documents;
   (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguard Documents; and
   (c) remedial measures taken or required to be taken to address such conditions.

F. Annual Work Plan

1. The Recipient shall, in each Fiscal Year during the execution of the Project:
   (a) prepare for the Association's approval, a consolidated annual work plan and budget containing all eligible Project activities and expenditures proposed to be included in the Project for the following Fiscal Year, including: (i) environmental and social safeguard measures taken or planned to be taken in accordance with the provisions of Section I.E of this Schedule; and (ii) the amount, allocation and schedule of disbursement of Recipient's counterpart funds required for the Project; and
thereafter carry out the approved Annual Work Plan in such following year.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators set forth in the PIM and acceptable to the Association. Each Project Report shall cover the period of six (6) calendar months, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one Fiscal Year, commencing with the Fiscal Year in which the first withdrawal was made under the Preparation Advance for the Project. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants' Services. All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts,
refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods, Works and Non-consulting Services. The following paragraphs set forth the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding, subject to using National Standard Bidding Documents acceptable to the Association and complying with the provisions below in (*)</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
<tr>
<td>(d) Prudent and established commercial practices acceptable to the World Bank</td>
</tr>
</tbody>
</table>

(*) National Competitive Bidding may be used subject to the following: (a) use of World Bank’s Standard Bidding Documents (SBDs); (b) registration and/or classification of bidders by the Procurement Policy Advisory Department within the Recipient’s Ministry of Finance, Ministry of Public Works and Transport or any other body shall not be used as a condition of bidding; (c) preferences shall not be granted based on citizen degree of ownership and local content; (d) bracketing to provide for the rejection of bids which are in excess of 15% of the cost estimate shall not be used; (e) award of contract must be made to the lowest evaluated tender; and (f) award of contracts shall be publicly disclosed in media of wide circulation.

C. Particular Methods of Procurement of Consultants’ Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following paragraphs set forth the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.
D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects”, dated May 2006, as revised from time to time by the Association 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 Financing (“Category”), the allocations of the amounts of the Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
Percentage of Amount of the Expenditures to Credit Allocated be Financed (expressed in (inclusive of Category SDR) Taxes)

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, and consultants’ services, Training and Operating Costs for the Project (other than Part 2(D) of the Project).</td>
<td>9,600,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) LEAP Grants for goods, consultants’ services and Training under Part 2(D) of the Project.</td>
<td>400,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>10,000,000</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 date of this Agreement.

2. The Closing Date is June 30, 2022.
SCHEDULE 3

<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 and</td>
<td></td>
</tr>
<tr>
<td>commencing September 15, 2022 to and including March 15, 2032</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing September 15, 2032 to and including March 15, 2042</td>
<td>3.35%</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 3.03(b) of the General Conditions.
APPENDIX

Section I. Definitions

1. “Annual Work Plan” means each annual work plan, together with the related budget, for the Project approved by the Association pursuant to the provisions of Section I.F.1 of Schedule 2 of this Agreement.


3. “Beneficiary” means an individual firm or an institution, a representative organization, a professional association or a commerce, trade or industry chamber qualified to receive a LEAP Grant in accordance with the PIM (LEAP Operational Manual).

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

5. “CIB” means “Credit Information Bureau”.


7. “Environmental and Social Management Framework” or “ESMF” means the Recipient’s Environmental and Social Management Framework document, dated August 6, 2013, as updated and disclosed on December 22, 2016, detailing: (a) the measures to be taken during the implementation and operation of the Project to eliminate or offset adverse environmental and social impacts, or to reduce them to acceptable levels; (b) the actions needed to implement these measures, including monitoring and institution strengthening; and (c) actions and policies required or appropriate to promote and support the safe, effective and environmentally sound pest management under the Project.

8. “Environmental and Social Management Plan” or “ESMP” means each site specific environmental and social management plan to be prepared by the Recipient pursuant to the ESMF, in each case setting forth appropriate mitigation, monitoring and institutional measures designed to mitigate the potential adverse environmental and social impacts of a proposed Project activity, offset them, reduce them to acceptable levels, or enhance positive impacts, including procedures to ensure the safety of new and existing dams, as the same may be amended from time to time with the prior written agreement of the Bank, and such term includes any schedules to such
document; and “Environmental and Social Management Plans” and “ESMPs” mean more than one such plan.

9. “ESMP Tourism” means the Recipient’s document, acceptable to the Association, prepared and disclosed on August 6, 2013, as updated and disclosed on December 22, 2016, with respect to the construction of the centrally located tourism and handcraft marketplace in Maseru under Part 2(B)(2) of the Project, that details: (i) the measures to be taken during the implementation and operation of the Project to eliminate or offset adverse environmental or social impacts, or to reduce them to acceptable levels, and (ii) the actions needed to implement these measures.

10. “Fiscal Year” means the Recipient’s fiscal year from April 1 to March 31.


12. “LEAP” means the Lesotho Enterprise Assistance Program referred to under Part 2(D) of the Project.

13. “LEAP Grant” means a grant made or proposed to be made to a Beneficiary under Part 2(D) of the Project.

14. “LEAP Grant Agreement” means the agreement to be entered into between the Recipient (through its LEAP advisory unit) and a Beneficiary for the purpose of financing a Sub-project as referred to in Section 1.D of Schedule 2 to this Agreement.

15. “LEAP Operational Manual” means the manual prescribing in detail the modalities, procedures and eligibility criteria to be followed to make any LEAP Grant.

16. “LNDC” means the Lesotho National Development Corporation, a parastatal entity established by the Recipient and operating pursuant to the LNDC Act No 13 of 1990 as amended to date.

17. “LRA” means the Lesotho Revenue Authority, a parastatal entity established by the Recipient and operating pursuant to the LRA Act No. 14 of 2001 as amended to date.

18. “LTDC” means the Lesotho Tourism Development Corporation, a parastatal entity established by the Recipient and operating pursuant to the LTDC Act No 4 of 2002.


23. "MTEC" means the Recipient’s Ministry of Tourism, Environment and Culture.


25. "Operating Costs" means the reasonable incremental operating expenses, based on annual budgets approved by the Association, incurred on account of operation and maintenance costs incurred in connection with the implementation of the Project, including costs related to office, vehicles and office equipment; water and electricity utilities, telephone, office supplies, bank charges, additional staff costs, travel and supervision costs, per diem, but excluding the salaries and indemnities of officials and public servants of the Recipient’s civil service.

26. "Original Financing Agreement" means the financing agreement for a Second Private Sector Competitiveness and Economic Diversification Project between the Recipient and the Association, dated November 21, 2013, (Credit No. 5309-LS), with the modifications set forth in the Annex to this Agreement.

27. "Original Project" means the Project described in Schedule I to the Original Financing Agreement.

28. "OBFC" means the “Strengthening the One Stop Business Facilitation Centre”.

29. "PMU" means the Project Management Unit established under the First Private Sector Competitiveness and Economic Diversification Project (IDA Credit 4275-LS and Grant H281-LS) and responsible for day-to-day operations of the Project.

30. "PSC" means the Project Steering Committee established under the First Private Sector Competitiveness and Economic Diversification Project (IDA Credit 4275-LS and Grant H281-LS) in accordance with the provisions of Section 1.A of Schedule 2 to this Agreement.

31. "Preparation Advance" means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on July 12, 2013, and on behalf of the Recipient on July 25, 2013.

32. "Project Implementation Manual" or "PIM" means the manual adopted by the Recipient under the First Private Sector Competitiveness and Economic Diversification Project (IDA Credit 4275-LS & Grant H281-LS), as updated to date, and setting out implementation, organizational, administrative, monitoring and evaluation, environmental and social monitoring and mitigation, financial management, disbursement and procurement arrangements, as shall have been agreed with the Association for purposes of Project implementation, as the same may be amended from time to time with the concurrence of the Association, and such term includes the LEAP Operational Manual.

34. "Procurement Plan" means the Recipient's procurement plan for the Project, dated January 19, 2017, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

35. "Safeguard Documents" means collectively or individually the Environmental and Social Management Framework, the ESMP Tourism as well as the Environmental and Social Management Plans (ESMPs) prepared in connection with the Project, if any.

36. "Sub-project" mean a specific project designed to enhance firms and build the capacity of the private sector supporting institutions under the Lesotho Enterprise Assistance Program (LEAP) under Part 2.D of the Project, which is financed by a LEAP Grant.

37. "Training" means the reasonable costs, which shall have been agreed by the Association for the training and workshops, including tuition, travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course and workshop preparation and implementation (but excluding goods and consulting services).
Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Section 3.02 is modified to read as follows:

   "Section 3.02. Service Charge and Interest Charge

   (a) Service Charge. The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.

   (b) Interest Charge. The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months."

2. Paragraph 28 of the Appendix ("Financing Payment") is modified by inserting the words "the Interest Charge" between the words "the Service Charge" and "the Commitment Charge".

3. The Appendix is modified by inserting a new paragraph 32 with the following definition of "Interest Charge", and renumbering the subsequent paragraphs accordingly:

   "32. "Interest Charge" means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b)."

4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix ("Payment Date") is modified by inserting the words "Interest Charges" between the words "Service Charges" and "Commitment Charges".

5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix ("Service Charge") is modified by replacing the reference to Section 3.02 with Section 3.02 a).
ANNEX

AMENDMENT TO THE ORIGINAL FINANCING AGREEMENT

The Recipient and the Association hereby agree to amend the Original Financing Agreement (Agreement) as follows:

1. The objective of the Original Project set forth in the first paragraph of Schedule 1 to the Agreement is amended as follows:

   "The objective of the Project is to improve the business environment for firms, strengthen select government institutions, and further diversify the economy."

2. The Closing Date set forth in Section IV.B.2 of Schedule 2 to the Original Financing Agreement shall be the date June 30, 2022.

3. Reference to “MFLR” in the Agreement is deleted and replaced with “MFRSC”, and paragraph 20 of Section I of the Appendix to the Agreement is modified as follows:

   "20. "MFRSC" means the Recipient’s Ministry of Forestry, Range and Soil Conservation.

4. Reference to “MTICM” in the Agreement is deleted and replaced with “MTI”, and paragraph 23 of Section I of the Appendix to the Agreement is modified as follows:

   "23. "MTI" means the Recipient’s Ministry of Trade and Industry."

Except as amended herein, all the other provisions of the Original Financing Agreement, shall remain in full force and effect.