H. E. Bheki Bhembe  
Principal Secretary of Economic Planning and Development  
Ministry of Economic Planning and Development  
Mbabane  
Kingdom of Swaziland  

KINGDOM OF SWAZILAND:  
Local Government Project  
(Loan No. 8003-SZ)  
Amendment No. 1 to the Loan Agreement  

Excellency:

We refer to the Loan Agreement (the “Agreement”) dated December 14, 2011, between the Kingdom of Swaziland (“Borrower”) and the International Bank for Reconstruction and Development (the “Bank”) for the above-mentioned Project (the “Project”).

We also refer to your letter, dated April 26, 2016, requesting the Bank for specific amendments to the Agreement. Therefore, we propose to amend the Agreement as follows:

1. The Project objective stated in Schedule 1 of the Agreement is revised to read as follows:

“The objective of the Project is to assist the Borrower to develop institutionally strengthened rural local governments (Tinkhundla), ULGs, and to improve the Borrower’s capacity to respond promptly and effectively to an Eligible Crisis or Emergency.”

2. Adding Part D below to the Project Description in Schedule 1 to Agreement:

“D. Contingency Emergency Response

Providing immediate response to an Eligible Crisis or Emergency, as needed”

3. Section D.2 in Section 1 of Schedule 2 to the Agreement is deleted in its entirety; and rest of the paragraphs in such Section 1 are renumbered accordingly to maintain alphabetical order.

December 2016
4. Adding Paragraph E to Section I in Schedule 2 to the Agreement as follows; and rest of the paragraphs in such Section I are renumbered accordingly to maintain alphabetical order:

"E. Immediate Response Mechanism"

In order to ensure the proper implementation of Part D of the Project ("Contingent Emergency Response") ("CERC Part"), the Borrower shall take the following measures:

1. The Borrower shall:

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

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

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

   (d) ensure that the CERC Part is carried out in accordance with the CERC Operations Manual; provided, however, that in the event of any inconsistency between the provisions of the CERC 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 CERC Operations Manual without prior approval by the Bank.

2. The Borrower shall, throughout the implementation of the CERC Part, maintain the Coordinating Authority, with adequate staff and resources satisfactory to the Bank.

3. The Borrower shall undertake no activities under the CERC Part (and no activities shall be included in the CERC 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 CERC 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;

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

5. Adding Paragraph E to Section III of Schedule 2 to the Agreement as follows:

“E. Procurement of Emergency Expenditures under the CERC Part of the Project

Notwithstanding any provision to the contrary in this Section, Emergency Expenditures required for the CERC Part of the Project shall be procured in accordance with the procurement methods and procedures set forth in the CERC Operations Manual.”

6. The withdrawal table under Section IV of Schedule 2 to the Agreement is deleted in its entirety and replaced with table 1 in Annex 1.

7. Part B.1 of Section IV of Schedule 2 of the Agreement is amended to read as follows:

“1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

(a) for payments made prior to the date of this Agreement;

(b) under Categories (1) and (2) until the Borrower has entered into technical assistance contracts, satisfactory to the Bank, with the consultant firm(s) for the establishment of the RCBMT and the UCBMT.

(c) under Category (5), for Emergency Expenditures under Part D of the Project unless and until the Bank is satisfied that all the following conditions have been met in respect of the 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 CERC 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;

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

(iii) the Borrower’s Coordinating Authority has adequate staff and resources, in accordance with the provisions of Section E of this Schedule 2 to this Agreement, for the purposes of said activities; and

(iv) the Borrower has adopted an CERC Operations Manual in form, substance and manner acceptable to the Bank and the provisions of the CERC Operations Manual remain - or have been updated in accordance with the provisions of Section E of this Schedule 2 so as to be appropriate for the inclusion and implementation of said activities under the CERC Part.”

8. The Closing Date provided in Section IV.B.2 of Schedule 2 to the Agreement is revised to read as June 30, 2019.
9. In the Appendix to the Agreement, the following definition is added and placed in alphabetical order to read as follows and the rest of the definitions are renumbered accordingly to maintain alphabetical order:

"Coordinating Authority" means the entity or entities designated by the Borrower in the CERC Operations Manual and approved by the Bank pursuant to Section E of Schedule 2 to this Agreement, to be responsible for coordinating the CERC Part of the Project.

"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.

"Emergency Expenditure" means any of the Eligible Expenditures set forth in the CERC Operations Manual in accordance with the provisions of Section E of Schedule 2 to this Agreement and required for the activities included in the CERC Part of the Project.

"Contingent Emergency Response Operations Manual" and "CERC Operations Manual" each means the operations manual referred to in Section E of this Agreement, to be adopted by the Borrower for the CERC Part of the Project in accordance with the provisions of said Section."

"CERC Part of the Project" and "CERC Part" each means Part D of the Project.

All other provisions of the Agreement, except as amended herein, shall remain in full force and effect.

Please confirm your understanding to the foregoing, on behalf of the Borrower, by signing, dating, and returning to us the enclosed copy of this letter of amendment. Upon receipt by the Bank of the copy of this letter of amendment countersigned by you, this letter of amendment will become effective as of the date of countersignature.

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

[Signature]
Authorized Representative

AGREED:

KINGDOM OF SWAZILAND

By: [Signature]
Name: RHEKI S. BHMBE
Title: PRINCIPAL SECRETARY
Date: ____________
Annex

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of Loan Allocated US$ million</th>
<th>Percentages of Expenditures to be Financed (Including taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, and services under Part A(i) of the Project</td>
<td>3,300,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works and services financed through Performance-Based Infrastructure Grants under Part B(i) of the Project</td>
<td>11,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Consultants’ services for Parts A(ii), B(ii) and C of the Project, and Training</td>
<td>12,532,750</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Front-end Fee</td>
<td>67,250</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions</td>
</tr>
<tr>
<td>(5) Emergency Expenditures under Part D of the Project</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>26,900,000</strong></td>
<td></td>
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