

GRANT NUMBER H989

Financing Agreement

(Southern African Power Pool Program for
Accelerating Transformational Energy Projects)

between

SOUTHERN AFRICAN POWER POOL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated 16 January, 2014⁵

GRANT NUMBER H989

FINANCING AGREEMENT

AGREEMENT dated 16 January, 2015, entered into between SOUTHERN AFRICAN POWER POOL the ("Recipient") and the 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) 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 grant in an amount equivalent to thirteen million two hundred thousand Special Drawing Rights (SDR 13,200,000) (variously, "Grant" 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 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 Payment Dates are April 1 and October 1 in each year.
- 2.05. The Payment Currency is Dollars.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall, through the SAPP Coordination Centre, carry out the Project 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 — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following:
- (a) Any of the SAPP Instruments has been amended, suspended, abrogated, repealed or waived as to effect materially and adversely the ability of the Recipient to carry out the Project.
 - (b) Any action has been taken for the dissolution, disestablishment or suspension of the operation of the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Recipient has adopted a Project Implementation Manual acceptable to the Association.
 - (b) The Recipient has established a Projects Acceleration Team and engaged a Project coordinator, a procurement specialist and a financial management specialist for said Team, each with qualifications, experience, and terms of reference acceptable to the Association.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.03. 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 (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is the SAPP Coordination Center Manager.
- 6.02. The Recipient's Address is:

24 Golden Stairs
Emerald Hill
Harare, Zimbabwe
Facsimile:

+263-4-307023

6.03. The Association's Address is:

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

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

AGREED at WASHINGTON, DC, USA, as of the day
and year first above written. And Johannesburg, SOUTH AFRICA

SOUTHERN AFRICAN POWER POOL

By



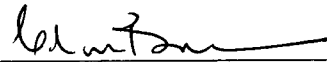
Authorized Representative

Name: LAWRENCE MUSABA

Title: SAPP CENTRE MANAGER

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: COLIN BRUCE

Title: Director, Regional
Integration

SCHEDULE 1

Project Description

The objective of the Project is to advance the preparation of selected priority regional energy projects in the SAPP Participating Countries.

Part A: Projects Acceleration Team

Supporting the establishment and operations of a Projects Acceleration Team to support the preparation of selected regional energy projects.

Part B: Projects' Preparation

Supporting the preparation of selected regional energy projects, including, *inter alia*, activities related to: (i) technical, economic and financial feasibility studies; (ii) environmental and social assessments and preparation of safeguards instruments to address potential social and environmental impacts under said selected regional energy projects; (iii) preparation of legal documentation; (iv) financial transaction advisory services; and (v) stakeholder consultations.

Part C: Regional Analytical Studies

Supporting critical analytical studies which will inform the preparation of selected regional energy projects, including, *inter alia*, an update and revision of a Southern African Power Pool Regional Transmission and Expansion Plan; and undertaking a number of studies related to: (i) a review of the generation and transmission expansion plans of the SAPP Participating Countries, including an assessment of power trade expectations; (ii) a mapping of the energy resources available to the SAPP Participating Countries with a specific focus on renewable resources; and (iii) major regional environmental and social impact studies to improve the understanding and mitigation of the key risks associated with the implementation of large and complex energy projects.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional and Implementation Arrangements

1. The Recipient shall establish and thereafter maintain, at all times during Project implementation, a Projects Acceleration Team, with its location, functions, resources and staff with qualifications, experience and terms and reference and in adequate numbers satisfactory to the Association, to be responsible for day-to-day implementation of the Project.
2. The Recipient shall, no later than six (6) months after the Effective Date, recruit a social and environmental specialist with qualifications, experience, and terms of reference acceptable to the Association.
3. Prior to commencing any preparatory work for a proposed regional energy project, the Recipient shall submit the proposed regional energy project to the Association for approval, including the supporting documents related to the proposed project as set out in the Project Implementation Manual, such as, detailed descriptions of the project, technologies involved in the project, financing and implementation arrangements (including any private sector participation), and environmental and social safeguards impact assessments and corresponding safeguards instruments prepared to mitigate potential environmental and social impacts under the proposed project.

B. Project Document

1. The Recipient shall adopt and apply throughout the Project implementation a Project Implementation Manual, setting forth rules, methods, guidelines, and procedures for the carrying out of the Project, including, *inter alia*:
 1. descriptions of the Project and arrangements for implementing the Project;
 - (b) procedures, process and criteria for identifying, selecting, and approving a proposed regional energy project to be prepared under the Project including, *inter alia*, that the proposed energy project shall be carried out only in the territory of Member Countries eligible to receive financing out of the resources of the Association or IBRD, provided that at least one of the foregoing Member Countries shall be eligible to receive financing out of the resources of the Association;

- (c) disbursement, financial management, auditing and procurement procedures for the Project; and
 - (d) monitoring, evaluation and reporting procedures for the Project.
2. In the event that any provision of the Project Implementation Manual shall conflict with any provision under this Agreement, the terms of this Agreement shall prevail. The Recipient shall not amend the Project Implementation Manual without with the Association's prior written approval.

C. Anti-Corruption

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

D. Annual Work Plan and Budget (AWP&B)

The Recipient shall:

- (a) prepare a draft AWP&B for each calendar year, setting forth, *inter alia*: (i) a detailed description of planned Project activities (including training activities) to be carried out for the following calendar year; (ii) the sources and uses of funds therefor; and (iii) responsibility for execution of said Project activities;
- (b) not later than February 28 of each calendar year, furnish to the Association for its comments and approval for the next calendar year, the draft AWP&B and, promptly thereafter, finalize the AWP&B taking into account the Association's views and recommendations thereon; and
- (c) immediately thereafter implement the AWP&B as approved by the Association.

E. Safeguards

1. The Recipient shall, for the purposes of the preparation of any selected regional energy projects, conduct environmental and social assessments under terms of reference acceptable to the Association, and based on the outcome of said assessments: (i) prepare safeguards instruments meeting the requirements of the applicable safeguards polices of the Association; (ii) submit said safeguards instruments to the Association for review and approval; and (iii) thereafter, adopt and publicly disclose said safeguards instruments.
2. The Recipient shall ensure that no civil works or land acquisition are carried out under the Project.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

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 the indicators acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one month 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 not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for its Respective Parts of 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 of the Recipient. 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.
4. The Recipient shall, not later than four (4) months after the Effective Date, engage an external auditor and an internal auditor (or engage a consulting firm performing internal audit functions), all with qualifications and experience and under terms of reference acceptable to the Association.

Section III. Procurement

A. General

1. **Goods and Non-consulting Services.** All goods 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 and Non-consulting Services

Methods of Procurement of Goods and Non-consulting Services. The following methods may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan:

Procurement Method	
(a)	Shopping
(b)	Direct Contracting
(c)	Procurement from United Nations Agencies

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 methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan.

Procurement Method	
(a)	Quality-Based Selection
(b)	Least-Cost Selection
(c)	Selection Based on Consultants' Qualifications
(d)	Single-Source Selection
(e)	Selection of Individual Consultants
(f)	Single-source procedures for the Selection of Individual Consultants

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 Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, consultants' services, non-consulting services, Training and Incremental Operating Costs	12,500,000	100%
(2) Refund of Preparation Advance	700,000	Amount payable pursuant to Section 2.07 of the General Conditions
TOTAL AMOUNT	13,200,000	

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 November 30, 2019.

APPENDIX

Section I. Definitions

1. “Annual Work Plan and Budget” means the annual work plan and budget referred to in Section I.D of Schedule 2 to this Agreement.
2. “Anti-Corruption Guidelines” means 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.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 and revised in July 2014.
5. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.
6. “IBRD” means the International Bank for Reconstruction and Development.
7. “Incremental Operating Costs” means the incremental expenses incurred by the Projects Acceleration Team directly related to Project implementation, management, and monitoring, including office supplies and consumables; communication costs; operation and maintenance of office vehicles; per diem and travel costs for Project staff; reasonable bank charges; and allowances and salaries of contractual staff.
8. “Inter-Governmental Memorandum of Understanding” means the memorandum of understanding signed in 1995 by the SAPP Participating Countries for establishing SAPP, as amended in 2006.
9. “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 22, 2014, and on behalf of the Recipient on September 15, 2014.
10. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 and revised in July 2014.

11. "Procurement Plan" means the Recipient's procurement plan for the Project, dated September 18, 2014, 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.
12. "Projects Acceleration Team" means the team referred to in Section I.A(1) of Schedule 2 to this Agreement.
13. "Project Implementation Manual" means the manual referred to in Section I.B of Schedule 2 to this Agreement, as the same may be revised from time to time with the prior approval of the Association.
14. "SAPP" means the Southern African Power Pool, the inter-governmental power pool created on September 28, 1995, by the SAPP Participating Countries (as hereinafter defined) pursuant to the Inter-Governmental Memorandum of Understanding.
15. "SAPP Participating Countries" means the countries that have signed the Inter-Governmental Memorandum of Understanding, including as of the date of this Agreement, the People's Republic of Angola, the Republic of Botswana, the Kingdom of Lesotho, the Democratic Republic of Congo, the Republic of Malawi, the Republic of Namibia, the Republic of South Africa, the Kingdom of Swaziland, the United Republic of Tanzania, the Republic of Zambia, the Republic of Zimbabwe and the Republic of Mozambique.
16. "SAPP Coordination Center" means the center established by the SAPP Participating Countries pursuant to the Constitution of the Coordination Center dated August 14, 1998.
17. "SAPP Instruments" means the legal instruments entered into by SAPP Participating Countries establishing SAPP and SAPP Coordination Center, namely, the Inter-Governmental Memorandum of Understanding, the Inter-Utility Memorandum of Understanding dated December 8, 1995, and the Constitution of the Coordination Center dated August 14, 1998.
18. "Southern African Power Pool Regional Transmission and Expansion Plan" means the plan prepared by SAPP in 2009 describing investment priorities for transmission and generation projects in the SAPP Participating Countries based on forecasts for energy demands in the SAPP Participating Countries.
19. "Training" means expenditures incurred by the Projects Acceleration Team to finance the costs, directly related to the Project, of training fees, training materials, travel, accommodations, and per diem which have been approved by the Association through the Annual Work Plan and Budget.

Section II. Modifications to the General Conditions

The provisions of the General Conditions are modified as follows:

1. Section 2.06 is modified to read as follows:

“Section 2.06. *Financing Taxes*

The use of any proceeds of the Financing to pay for Taxes levied by, or in the territory of, the SAPP Participating Countries on or in respect of Eligible Expenditures, or on their importation, manufacture, procurement or supply, if permitted by the Financing Agreement, is subject to the Association’s policy of requiring economy and efficiency in the use of the proceeds of its credits and grants. To that end, if the Association at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the Association may, by notice to the Recipient, adjust the percentage of such Eligible Expenditures to be financed out of the proceeds of the Financing specified in the Financing Agreement, as required to ensure consistency with such policy of the Association.”

2. Sections 3.03, 3.04 and 3.08 are deleted in their entirety, and Sections 3.05, 3.06, 3.07, 3.09 and 3.10 are re-numbered, respectively, as Sections 3.03, 3.04, 3.05, 3.06 and 3.07.

3. Paragraphs (b) and (c) of the newly re-numbered Section 3.07 are modified to read as follows:

“(b) All Financing Payments shall be paid without restrictions of any kind imposed by, or in the territory of, the SAPP Participating Countries, and without deduction for, and free from, any Taxes levied by, or in the territory of, the Participating Countries.

(c) The Legal Agreements shall be free from any Taxes levied by, or in the territory of the Participating Countries, or in connection with their execution, delivery or registration.”

4. In Section 4.11, paragraph (a) is modified to reads as follows:

“Section 4.11. *Visits*

“(a) The Recipient shall take all action necessary or useful to ensure that the SAPP Participating Countries afford all reasonable opportunities for representatives of the Association to visit any part of their territories for purposes related to the Financing or the Project.”

5. Section 5.01 is modified to read as follows:

“Section 5.01. *Financial and Economic Data*

The Recipient shall furnish to the Association all such information as the Association shall reasonably request with respect to its financial condition, including the balance of payments and their External Debt as well as that of their political or administrative subdivisions and of any entity owned or controlled by, or operating for the account or benefit of, the Recipient or any such subdivision, and of any institution performing the functions of a central bank or exchange stabilization fund, or similar functions, for the Recipient.”

6. Section 6.02 is modified as follows:

- (a) Paragraphs (d)(i)(ii) on *Cross-Suspension* are modified to read as follows:

“(i) The Association or the Bank has suspended in whole or in part the right of the Recipient or of one or more SAPP Participating Countries to make withdrawals under any agreement with the Association or with the Bank because of a failure, respectively, by the Recipient or one or more SAPP Participating Country to perform any of its obligations under such agreement.

(ii) The Bank has suspended in whole or in part the right of any borrower to make withdrawals under a loan agreement with the Bank guaranteed by a SAPP Participating Country because of a failure by Participating Country to perform any of its obligations under such agreement.”

- (b) Paragraph (j) on *Membership* is modified to read as follows:

“(j) *Membership*. Any one or more of the Participating Countries: (i) have been suspended from membership in or ceased to be a member of the Association; or (ii) have ceased to be a member of the International Monetary Fund.”

7. Paragraph (a) of Section 8.01 is modified to read as follows:

“(a) The execution and delivery of each Legal Agreement on behalf of the Recipient which is a party to such Legal Agreement have been duly authorized by all necessary corporate action.”

8. The Appendix (**Definitions**) is modified as follows:

- (a) Paragraph 23 is modified to read as follows:
 - “23. “External Debt” means any debt which is or may become payable in a Currency other than the Currency of the SAPP Participating Countries”.
- (b) Paragraph 29 is modified to read as follows:
 - “29. “Foreign Expenditure” means an expenditure in the Currency of any country other than the country where the Projects Acceleration Team is located for goods or services supplied from the territory of any country other than the country where the Projects Acceleration Team is located.
- (c) Paragraph 33 is modified to read as follows:
 - “33. “Local Expenditure” means an expenditure: (a) in the Currency of the country where the Projects Acceleration Team is located; or (b) for goods or services supplied from the territory of the country where the Projects Acceleration Team is located; provided, however, that if the Currency of the country where the Projects Acceleration Team is located is also that of another country from the territory of which goods or services are supplied, an expenditure in such Currency for such goods or services shall be deemed to be a Foreign Expenditure.”
- (d) Paragraph 45 is modified to read as follows:
 - “45. “Recipient” means the party to the Financing Agreement to which the Financing is extended.”