Financing Agreement
(Lesotho Renewable Energy and Energy Access 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, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to twenty nine million two hundred thousand Special Drawing Rights (SDR 29,200,000) (variously, “Credit” and “Financing”), to assist in financing Parts 1 and 2(b) 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 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 The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.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 The Interest Charge is one and a quarter percent (1.25%) per annum on the Withdrawn Credit Balance.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 May 15 and November 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 the Dollar.
ARTICLE III — PROJECT

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

ARTICLE IV — EFFECTIVENESS; TERMINATION

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

(a) The Recipient and the Project Implementing Entity have adopted the Project Implementation Manual, in form and substance satisfactory to the Association;

(b) the Recipient has recruited to the Project implementing unit, within DOE and referred to in Section I.A.2 of Schedule 2 to this Agreement, a Project coordinator, an environmental specialist and a social specialist; all with qualifications, experience and terms of reference satisfactory to the Association;

(c) the Project Implementing Entity has recruited to the technical unit referred to in Section I.A of the Schedule to the Project Agreement, a Project coordinator, an environmental specialist and a social specialist; all with qualifications, experience and terms of reference satisfactory to the Association;

(d) the SREP Loan Agreement and the SREP Grant Agreement have been signed and delivered by all the parties to such agreements, and all conditions precedent to their effectiveness (other than the fulfillment of effectiveness of this Agreement) have been fulfilled;

(e) the Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity, in form and substance satisfactory to the Association; and

(f) the Recipient and the Project Implementing Entity have issued legal opinions from counsels satisfactory to the Association, stating that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.

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

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: MDEKETSI MAJDRO
Title: MINISTER
Date: 13 03 2020

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Marie-Françoise Nangui-Willy
Title: Country Director
Date: March 13, 2020
SCHEDULE 1

Project Description

The objective of the Project is to increase access to electricity in rural and peri-urban areas of the Recipient.

The Project consists of the following parts:

Part 1: Grid extension to peri-urban areas of the Recipient

Carrying out of the design and construction of electrical grids, sub-stations and 33 Kv/11 Kv distribution lines to electrify Selected Industrial and Economic Zones and provision of grid connections to residential customers located nearby the Selected Industrial and Economic Zones, including the provision of technical assistance to carry out associated feasibility studies, engineering designs and address fiduciary, environmental and social related matters.

Part 2: Rural electrification by mini-grids

A. Rehabilitation and upgrading of Project Implementing Entity mini-grid at Semonkong

Rehabilitation and upgrading of a hydro-based mini grid with diesel as an alternative electricity supply at Semonkong, including: (a) rehabilitation of a hydro turbine; (b) addition of approximately 1.5 MW of solar PV and approximately 500KWh of storage capacity; (c) upgrading of operational mechanisms for simultaneous production of electricity; (d) expansion of network distribution and provision of grid connections, including metering solutions, to approximately 100 residential and commercial customers; and (e) provision of technical assistance to carry out associated feasibility studies and engineering designs and implementation support for addressing activity-related matters, including environmental and social.

B. Mini-grid development under public-private partnership models

Provision of approximately 30 mini-grids using private-sector led business models, including: (a) test of public-private partnership business models for service delivery; (b) provision of mini-grid market information for private sector participants; (c) provision of technical support to carry out due diligence and project implementation support activities; (d) creation of awareness about different tiers offered by mini-grids; (e) provision of grid connections to approximately 4,800 customers to link them to the mini-grids supported under the Project; and (f) provision of technical assistance to carry out associated feasibility studies and technical-economic analysis and implementation support activities for addressing technical, procurement, legal, environmental, social and capacity-building matters.
Part 3: **Technical assistance and implementation support**

A. **Project implementation and coordination support**

Provision of implementation and coordination support, including: (a) hiring of independent verification agents; (b) hiring of monitoring and evaluation staff; (c) management of certification program for companies support under the Project; (d) establishment of a Project implementation unit within DOE; (e) establishment of a geospatial planning platform for planning and tracking progress of electrification programs; (f) hiring of a gender-based expert focus on women’s employment, consumer education and productive use of energy; and (g) provision of technical assistance to carry out capacity building activities within DOE and the Project Implementing Entity for mitigating and managing social risks related to labor influx (sexual exploitation, gender-based violence), human trafficking and teenage pregnancies.

B. **Women’s employment, consumer education and citizen engagement and productive uses of energy**

Provision of technical assistance to carry out: (a) women’s enhancement employment activities; (b) community awareness campaigns to inform benefits and costs of electricity services, payment mechanisms and procedures and safety practices in electrification processes; and (c) studies aimed to close gender gaps between men and women related to companies and livelihood at the community level, including productive uses of electricity to increase women’s incomes.

Part 4: **Contingency Emergency Response Component**

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

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. By no later than one (1) month after the Effective Date, the Recipient shall establish and thereafter maintain, throughout the period of implementation of the Project, a Project steering committee, with a mandate, terms of reference, composition, and resources satisfactory to the Association, to be responsible for, inter alia: (a) reviewing Project progress; (b) providing guidance to DOE and the Project Implementing Entity; and (c) resolving any challenges faced by the Project.

2. The Recipient, through MEM, shall hold overall responsibility for the Project. Specifically, by no later than one (1) month after the Effective Date, the Recipient, through MEM, shall establish and thereafter maintain, throughout the period of implementation of the Project, a Project implementation unit within DOE, under terms of reference, functions and resources satisfactory to the Association, which shall be: (a) supported by qualified and experienced staff in adequate numbers, satisfactory to the Association, including a Project coordinator, a financial management specialist, a procurement specialist, an environmental specialist, a social specialist and a monitoring and evaluation specialist; and (b) responsible for implementing Parts 2(b) and 3 of the Project, including: (i) selecting the areas to be electrified under the Project in accordance with the criteria set forth in the Project Implementation Manual; (ii) consolidating DOE and the Project Implementation Entity’s reports for purposes of Project monitoring, reporting and evaluation activities; and (iii) hiring and supervising Project independent agency(ies) responsible for verifying the completion of grid extensions and grid and mini-grid customer connections built under the Project and the quality of the mini-grid services provided under the Project.

B. Subsidiary Agreement

1. To facilitate the implementation of Parts 1 and 2(a) of the Project, the Recipient shall make the proceeds of the Financing allocated from time to time to Category (1) of the table set forth in Section III.A.1 of this Schedule available to the Project Implementing Entity under a subsidiary agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association (“Subsidiary Agreement”).

2. The Recipient shall exercise its rights under the Subsidiary 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 the Subsidiary Agreement or any of its provisions.

C. **Project Implementation Manual**

1. The Recipient shall, and shall cause the Project Implementation Entity to, carry out its respective part of the Project in accordance with the provisions of the Project Implementation Manual, containing, *inter alia*, detailed arrangements and procedures for: (a) institutional coordination and day-to-day execution of the Project; (b) Project budgeting, disbursement and financial management; (c) procurement; (d) environmental and social safeguard guidelines; (e) monitoring, evaluation, reporting and communication; (f) criteria for selecting industrial and economic zones to be benefited from the Project (“Selected Industrial and Economic Zones”); and (g) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project.

2. The Recipient, and shall cause the Project Implementing Entity to, shall not amend, abrogate, waive or fail to enforce any provision of the Project Implementation Manual without the prior written agreement of the Association, provided, however, that in case of any conflict between the arrangements and procedures set out in any of said manual and the provisions of this Agreement, the provisions of this Agreement shall prevail.

D. **Safeguards**

1. The Recipient shall ensure and cause to ensure that the Project is carried out in accordance with the provisions of the ESMF, the RPF and all Safeguard Assessments and Plans. To this end, the Recipient shall ensure that the appropriate review, clearance and public disclosure of all Safeguard Assessments and Plans as required by the ESMF and the RPF.

2. Whenever an additional or revised Safeguard Assessment and Plan shall be required for any proposed Project activity under the Project, in accordance with the provisions of the ESMF and the RPF, the Recipient shall, and shall cause the Project Implementing Entity to:

   (a) prior to the commencement of such activity, proceed to have such Safeguard Assessment and Plan: (i) prepared and publicly consulted on in accordance with the provisions of the ESMF and the RPF, as the case may be; (ii) furnished to the Association for review and approval; and (iii) thereafter adopted and disclosed as approved by the Association, in a manner acceptable to the Association;
(b) thereafter take such measures as shall be necessary or appropriate to ensure compliance with the requirements of such Safeguard Assessment and Plan; and

(c) in the case of any resettlement activity under the Project involving Affected Persons, ensure that no displacement shall occur before necessary resettlement measures consistent with the RAP applicable to such activity have been executed, including, in the case of displacement, full payment to Affected Persons of compensation and of other assistance required for relocation, prior to displacement.

3. Without limitation on its other reporting obligations under this Agreement, the Recipient shall collect, compile and submit to the Association on a bi-annual basis (or such other frequency as may be agreed with the Association) consolidated reports on the status of compliance with the ESMF, the RPF and the Safeguard Assessments and Plans, giving details of: (a) measures taken in furtherance of the said instruments; (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the said measures; and (c) remedial measures taken or required to be taken to address such conditions.

4. The Recipient shall not, and shall cause the Project Implementing Entity to do not, amend, abrogate or waive, or permit to be amended, abrogated or waived, the ESMF, the RPF or any Safeguard Assessments and Plans, unless the Association has provided its prior approval thereof in writing, and the Recipient and/or the Project Implementing Entity has complied with the same consultation and disclosure requirements as applicable to the original adoption of the said instruments.

5. In the event of any conflict between the provisions the ESMF, the RPF or any Safeguard Assessments and Plans, and the provisions of this Agreement, the provisions of this Agreement shall prevail.

6. The Recipient shall ensure that where industrial and economic zones benefit from activities financed out of proceeds of the Credit under Part I of the Project, those industrial and economic zones shall be selected in accordance with the criteria set forth in the Project Implementation Manual ("Selected Industrial and Economic Zones").

E. Annual Work Plan and Budget

1. The Recipient shall, not later than January 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.

F. Contingent Emergency Response under Part 4 of the Project

1. To ensure the proper implementation of Part 4 of the Project ("Contingent Emergency Response") ("CERC Part"), 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 CERC 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 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 Association’s policies on the matter; and (vi) any other arrangements necessary to ensure proper coordination and implementation of the CERC Part;

   (b) afford the Association 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 Association ("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 Association.

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

3. The Recipient 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 Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the CERC 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 CERC 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. 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.

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 calendar quarter, covering the calendar quarter.

Section III. Withdrawal of the Proceeds of the Financing

A. General

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 finance Eligible
Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

<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, consulting services, Incremental Operating Costs and Training Costs under Part 1 of the Project</td>
<td>22,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works, non-consulting services, consulting services, Incremental Operating Costs and Training Costs under Part 2(b) of the Project</td>
<td>7,200,000</td>
<td>69%</td>
</tr>
<tr>
<td>(3) Emergency Expenditures under Part 4 of the Project</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>29,200,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:

(a) for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed SDR 6,000,000 may be made for payments made prior to this date but on or after December 5, 2019, for Eligible Expenditures; or

(b) under Category (3), for Emergency Expenditures, under Part 4 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 CERC 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.F 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.F of this Schedule 2 to this Agreement, for the purposes of said activities; and

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

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

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 15 and November 15:</td>
<td></td>
</tr>
<tr>
<td>commencing May 15, 2025 to and including November 15, 2044</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing May 15, 2045 to and including November 15, 2049</td>
<td>3.4%</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

Section I. Definitions

1. "Affected Person" means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction or access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person.

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.E of Schedule 2 to this Agreement.

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

5. "CERC Operations Manual" each means the operations manual referred to in Section I.F of this Agreement, to be adopted by the Recipient for the CERC Part the Project in accordance with the provisions of said Section.

6. "CERC Part of the Project" and "CERC Part" each means Part 4 of the Project.

7. "Contingent Emergency Response Implementation Plan" and "CERIP" each means the plan referred to in Section I.F 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.

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

9. "DOE" means the Recipient's Department of Energy within MEM.
10. "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.

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

12. "Environmental Impact Assessment" or "EIA" means each of the environmental impact assessments to be prepared under the Project in accordance with the ESMF, each such assessment in form and substance satisfactory to the Association, and defining details of potential environmental risks and adverse impacts associated with the implementation of Project activities, together with an environmental management plan defining measures to manage such risks and impacts; as each assessment may be amended from time to time with prior written consent of the Association.

13. "Environmental and Social Management Framework" or "ESMF" means the Project environmental and social management framework dated October 2019, duly disclosed at the Associations, Recipient and Project Implementation Entity’s websites, acceptable to the Association, setting forth the policy framework, principles, standards, processes and institutional arrangements to be applied under Project to assess potential adverse environmental and social impacts associated with Project activities and the ways to avoid, minimize, mitigate or offset them, including public consultation, disclosure and reporting as well as a description of the process for preparing and approving ESMPs during the implementation of the Project; as such framework may be amended from time to time with the prior written consent of the Association.

14. "Environmental and Social Management Plan" or "ESMP" means each of the environmental and social management plans to be prepared under the Project in accordance with the ESMF, each such plan in form and substance satisfactory to the Association, and defining details of measures to manage potential environmental and social risks and mitigate, reduce and/or offset adverse environmental and social impacts associated with the implementation of Project activities, together with adequate budget, institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms; as each plan may be amended from time to time with prior written consent of the Association.

16. "Incremental 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. "MEM" means the Recipient's Ministry of Energy and Meteorology or any successor thereto.

18. "Procurement Regulations" means, for purposes of paragraph 87 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for IPF Borrowers", dated July 2016, revised November 2017 and August 2018.

19. "Project Agreement" means the agreement between the Association and the Project Implementing Entity relating to the implementation of Parts 1 and 2(a) of the Project, as such agreement may be amended from time to time.

20. "Project Implementing Entity" means the Lesotho Electricity Company, the Recipient's public electricity utility company established in terms of the Companies Act 18 of 2011.

21. "Project Implementation Manual" means the Recipient's manual referred to in Section C of this Agreement and Section 1.B of the Project 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.

22. "Resettlement Action Plan" or "RAP" means each plan to be prepared under the Project in accordance with the RPF, each such plan in form and substance satisfactory to the Association, and containing, a program of actions, measures and policies for compensation and resettlement of Affected Persons, including the magnitude of displacement, compensation and resettlement arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with its terms; as each resettlement action plan may be amended from time to time with the prior consent of the Association.

23. "Resettlement Policy Framework" or "RPF" means the Project resettlement framework and resettlement process framework dated November 5, 2019 duly disclosed on the Association, Recipient and Project Implementation Entity's websites, acceptable to the Association, setting forth the principles and objectives governing resettlement preparation and implementation, as well as a description of the process for preparing and approving RAPs during the implementation of the Project; as such framework may be amended from time to time with the prior consent of the Association.
24. "Safeguard Assessment and Plan" means each EIA, SIA, ESMP, RAP and/or any other plan prepared or to be prepared during the implementation of the Project, as the case may be, in accordance with the ESMF and the RPF, as the case may be; and "Safeguard Assessments and Plans" means, collectively, all such assessments and plans.

25. "Selected Industrial and Economic Zones" means the industrial and economic zones located in any of the districts of the Recipient set forth in the Project Implementation Manual, which are: (a) selected in accordance with the criteria set forth in the Project Implementation Manual; (b) not included in the negative list set forth in the Project Implementation Manual; and (c) intend to support the carrying out of the following activities: (i) manufacturing and assembling of automotive components, textiles, lighting and mining supplies; (ii) developing, processing, production and storing of aquaculture and agriculture products; (iii) developing of packhouses and cold chain and controlled atmosphere facilities; and (iv) any other activity to be agreed in writing between the Recipient and the Association.

26. "SREP Grant Agreement" means the agreement signed, or to be signed, between the Association and the Recipient for the financing of Parts 2(a), 3(a) and 3(b) of the Project.

27. "SREP Loan Agreement" means the agreement signed, or to be signed, between the Association and the Recipient for the financing of Parts 2(a) and 2(b) of the Project.

28. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to "the date of the Financing Agreement" in the General Conditions.

29. "Social Impact Assessment" and "SIA" means each social impact assessment to be prepared under the Project in accordance with the ESMF, each such assessment in form and substance satisfactory to the Association, and defining details of potential social risks and adverse impacts associated with the implementation of Project activities, together with measures to manage such risks and impacts; as each assessment may be amended from time to time with prior written consent of the Association.

30. "Subsidiary Agreement" means the agreement referred to in Section I.B.1 of Schedule 2 to this Agreement.

31. "Training Costs" 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.