

CONFORMED COPY

**CREDIT NUMBER 3966 ZA**

# **Development Credit Agreement**

**(Support to Economic Expansion and Diversification Project)**

**between**

**REPUBLIC OF ZAMBIA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated August 16, 2004**

**CREDIT NUMBER 3966 ZA**

**DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated August 16, 2004, between REPUBLIC OF ZAMBIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Association has received a letter from the Borrower, dated May 13, 2004, describing a program of actions designed to diversify the Borrower's sources of growth and reduce vulnerability of its economy to shocks, improving its sectoral policy and regulatory framework and creating a conducive environment for encouraging private sector investment (the Program), and declaring the Borrower's commitment to the execution of the Program;

(C) (i) Part A.2 of the Project will be carried out by ZAWA (as hereinafter defined), and (ii) Part A.1 (c) will be carried out by Livingstone City Council (as hereinafter defined), with the Borrower's assistance and, as part of such assistance, the Borrower will make part of the proceeds of the credit provided for in Article II of this Agreement (the Credit) available to ZAWA and Livingstone City Council, as set forth in this Agreement;

(D) by an Agreement of even date herewith (the GEF Trust Fund Grant Agreement) between the Borrower and the International Bank for Reconstruction and Development (the Bank), acting as an Implementing Agency for the Global Environment Facility (GEF), the Bank has agreed to make a grant to the Borrower in an amount equivalent to \$4,000,000 to assist in financing Part A.2 of the Project (the GEF Project) on terms and conditions set forth in the GEF Trust Fund Grant Agreement; and

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows;

## ARTICLE I

### General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through October 6, 1999) (the General Conditions), with the modification set forth below (the General Conditions) constitute an integral part of this Agreement:

Section 5.08 of the General Conditions is amended to read as follows:

“Except as otherwise provided in the Development Credit Agreement, the proceeds of the Credit may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower on the goods or services to be financed under the Credit, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Association’s policy of requiring economy and efficiency in the use of the proceeds of its credits. To that end, if the Association shall at any time determine that the amount of any taxes levied on or in respect of any item financed out of the proceeds of the Credit is excessive or otherwise unreasonable, the Association may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Credit Agreement as required to be consistent with such policy of the Association.”

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Beneficiary” means a private firm, farmers’ group or association established and operating under the Borrower’s laws and which is eligible for a Matching Grant (as hereinafter defined) under Part B of the Project;

(b) “Component Technical Coordinators” means the technical coordinators in the MTENR, MACO, and MMMD (all as hereinafter defined), with the responsibility for coordination of Project activities for Parts A, B and C of the Project, and referred to under paragraph 2 (c) of Schedule 4 to this Agreement;

(c) “Department of Tourism Development” means a department within the MTENR (as hereinafter defined);

(d) “Department of Mines Development” means a department within MMMD (as hereinafter defined);

(e) “Displaced 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: (i) the involuntary taking of land, resulting in: (A) relocation or loss of shelter, (B) loss of assets or access to assets, or (C) loss of income sources or means of livelihood, whether or not such person must move to another location; or (ii) the involuntary restriction to access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons, and “Displaced Persons” means more than one Displaced Person;

(f) “Environmental Council of Zambia” means the Environmental Council of Zambia established and operating pursuant to the Borrower’s Environmental Protection and Pollution Control Act Cap 204 of the Laws of Zambia;

(g) “Eligible Categories” means Categories (1) through (5) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(h) “Eligible Expenditures” means the expenditures for goods, works and consultants’ services referred to in Section 2.02 of this Agreement;

(i) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(j) “IAPSO” means the Inter-Agency Procurement Services of the United Nations;

(k) “Integrated Pest Management Plan” and “IPMP” mean the Integrated Pest Management Plan of the Project, setting forth a strategy and an action plan for adequate pest management practices in respect of any agribusiness activity carried out under Part B of the Project, dated June 11, 2003;

(l) “Livingstone City Council” means a local authority established as a city council pursuant to the Local Government Act, Chapter 281 of the laws of the Borrower;

(m) “Livingstone Tourism Association” means a private sector association of tourism operators in Livingstone, established and operating pursuant to the Societies Act, Chapter 119 of the laws of the Borrower;

(n) “Management Contractor” means the management contractor referred to in paragraph 3 of Schedule 4 to this Agreement and to be appointed by the Borrower in

accordance with the provisions of Section II of Schedule 3 to this Agreement, with the responsibility for management of Part B of the Project;

(o) “Matching Grant” means a grant made or proposed to be made by the Borrower to a Beneficiary pursuant to a Matching Grant Agreement (as hereinafter defined) to finance an agribusiness activity under Part B of the Project;

(p) “Matching Grant Agreement” means the agreement to be entered into between the Borrower and a Beneficiary eligible to receive a Matching Grant from the proceeds of the Credit under Part B of the Project;

(q) “MACO” means the Borrower’s Ministry of Agriculture and Cooperatives;

(r) “Matching Grant Committee” means the Committee referred to in paragraph 3 (a) of Schedule 4 to this Agreement;

(s) “Mines and Minerals Act” means the Mines and Minerals Act, Cap 213 of the Laws of Zambia, enacted by the Borrower to, *inter alia*, make provision with respect to prospecting for and mining minerals, as the same may be amended from time to time, and includes all regulations and schedules thereof;

(t) “Mining Bureau” means a regional office of the Department of Mines Development responsible for regional administration of the Mines and Minerals Act at the regional level;

(u) “MoFNP” means the Borrower’s Ministry of Finance and National Planning;

(v) “MMMD” means the Borrower’s Ministry of Mines and Minerals Development;

(w) “MTENR” means the Borrower’s Ministry of Tourism Environment and Natural Resources;

(x) “Park” means a Protected Area (as hereinafter defined);

(y) “PCU” means the Project Coordination Unit established within the Ministry of MTENR, and referred to in paragraph 2 (b) of Schedule 4 to this Agreement;

(z) “PIUs” means the Project Implementation Units established within ZAWA and Livingstone City Council, respectively, and referred to under paragraph 2 (d) of Schedule 4 to this Agreement;

(aa) “Project Implementation Plan” or “PIP” means the Project implementation plan referred to in paragraph 1 of Schedule 4 to this Agreement, as such plan may be amended from time to time, and such term includes any schedules to the plan;

(bb) “Project Preparation Advance” means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association on October 1, 2001 and on behalf of the Borrower on October 15, 2001;

(cc) “Protected Areas” means the Borrower’s Mosi -O- Tunya National Park, Kafue National Park and Victoria Falls;

(dd) “PSC” means the Project Steering Committee referred to in paragraph 2 (a) of Schedule 4 to this Agreement;

(ee) “Recipient” means the Republic of Zambia as Recipient of the GEF Trust Fund Grant referred to in the Preamble to this Agreement;

(ff) “Report-based Disbursements” means the Borrower’s option for withdrawal of funds from the Credit Account referred to in Part A.6 of Schedule 1 to this Agreement;

(gg) “Resettlement Action Plan” and “RAP” means the plan dated October 10, 2003, for implementing involuntary resettlement of Displaced Persons in Mosi-O-Tunya National Park;

(hh) “Resettlement Policy Framework” and “Process Framework” and “RPF” mean the framework dated September 15, 2003, outlining the modalities for land taking and/or expropriation, resettlement, compensation and rehabilitation of Displaced Persons under the Project;

(ii) “Social and Environmental Assessment” and “SEA” mean the strategic environment assessment report, including the Environmental Management Plan, dated November 14, 2003, and referred to in paragraph 6 (a) of Schedule 4 to this Agreement, defining the established screening process mechanism to identify potential environmental and social adverse effects of the Project, and the measures to offset, reduce and/or mitigate them in the implementation thereof;

(jj) “Subsidiary Agreement” means each of the agreements to be entered into: (i) between the Borrower and ZAWA; and (ii) between the Borrower and Livingstone City Council, respectively, pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Agreement;

(kk) “Special Accounts” means the MTENR Special Account, the ZAWA Special Account, and the Livingstone City Council Special Account, all referred to in Part B of Schedule 1 to this Agreement;

(ll) “Tourism Council of Zambia” means the council established under the Societies Act, Chapter 119 of the Laws of the Borrower;

(mm) “ZAWA” means the Zambia Wildlife Authority established under the Zambia Wildlife Act No. 12 of 1998, of the laws of the Borrower; and

(nn) “ZMK” means Zambian Kwacha, the currency of the Borrower.

## **ARTICLE II**

### **The Credit**

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to nineteen million two hundred thousand Special Drawing Rights (SDR 19,200,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of works, goods and services required for Parts A, C and D of the Project; and (ii) amounts paid (or, if the Association shall so agree, to be paid) by the Borrower on account of withdrawals made by a Beneficiary under a Matching Grant to meet the reasonable cost of goods and services required for an agribusiness activity under Part B of the Project, and in respect of which the withdrawal from the Credit Account is requested.

(b) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to

repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be November 30, 2009, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on February 1 and August 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 1 and August 1 commencing August 1, 2014, and ending February 1, 2044. Each installment to and including the installment payable on February 1, 2024 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall: (i) carry out Parts A.1 (a), A.1 (b), B, C and D of the Project, (ii) cause ZAWA to carry out Part A.2 of the Project, and (iii) cause Livingstone City Council to carry out Part A.1 (c) of the Project, all with due diligence and efficiency and in conformity with appropriate administrative, financial, technical and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) The Borrower shall make part of the proceeds of the Credit available to ZAWA and Livingstone City Council under Subsidiary Agreements to be entered into: (i) between the Borrower and ZAWA; and (ii) between the Borrower and Livingstone City Council, respectively, under terms and conditions which shall have been approved by the Association, and which shall include the terms and conditions set forth in paragraph 5 of Schedule 4 to this Agreement.

(d) The Borrower shall exercise its rights under each Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any Subsidiary Agreement or any provision thereof.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such

later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future operation of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

## ARTICLE IV

### Financial Covenants

Section 4.01. (a) The Borrower shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

- (i) have the financial statements referred to in paragraph (a) of this Section and the records and accounts for Special Accounts for each fiscal year (or other period agreed to by the Association), commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made, audited in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Association): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of reports referred to in Part A.6 of Schedule 1 to this

Agreement (Report-based Disbursements) or on the basis of statements of expenditure, the Borrower shall:

- (i) retain, until at least one year after the Association has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such reports and statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in paragraphs 7 and 8 of Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Association a Financial Monitoring Report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

Section 4.03. The Borrower shall not later than June 30, 2005, appoint the auditors referred to in Section 4.01 (b) (i) of this Agreement in accordance with the provisions of Section II of Schedule 3 to this Agreement.

## ARTICLE V

### Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified:

(a) a situation has arisen which shall make it improbable that the Program or a significant part thereof, will be carried out;

(b) the Recipient shall have abrogated or modified the legal status of the Protected Areas, or taken any action, including the enactment or issuance of laws or regulations, which, in the opinion of the Bank, may adversely affect, prevent, or interfere with, the carrying out of Part A.2 of the Project or the performance by the Recipient of any of its obligations under this Agreement;

(c) the Recipient shall have failed to afford reasonable opportunity for representatives of the Bank to visit any part of their territory for purposes related to the Project; and

(d) ZAWA and Livingstone City Council shall have failed to perform their obligations under the respective Subsidiary Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely that the event specified in Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower.

## ARTICLE VI

### Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Borrower has established or caused to be established an adequate accounting and financial management system in the PCU and the PIUs, in form and substance satisfactory to the Association, to ensure proper accounting and monitoring of Project funds;

(b) the Borrower has employed or caused to be employed: (i) procurement and financial specialists to the PCU, and to the PIUs at ZAWA and Livingstone City Council, (ii) Component Technical Coordinators, and (iii) two Parks advisers for the Protected Areas, all with terms of reference and qualifications satisfactory to the Association; and

(c) the Subsidiary Agreements have been executed: (i) between the Borrower and ZAWA, and (ii) between the Borrower and Livingstone City Council.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the Subsidiary Agreements with ZAWA and Livingstone City Council have been duly authorized or ratified by the Borrower and ZAWA, and by the Borrower and Livingstone City Council, respectively, and that they are legally binding upon the Borrower and ZAWA, and upon the Borrower and Livingstone City Council, respectively, in accordance with their terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

**ARTICLE VII**

**Representative of the Borrower; Addresses**

Section 7.01. The minister of the Borrower responsible for finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance  
and National Planning  
PO Box 50062  
Lusaka, Zambia

Cable address:	Telex:	Facsimile:
MINFIN Lusaka	42221	250886 251078

For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Lusaka, Zambia , as of the day and year first above written.

REPUBLIC OF ZAMBIA

By

/s/ Ng'andu Magande  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Callisto Madavo  
Authorized Representative

**SCHEDULE 1**

**Withdrawal of the Proceeds of the Credit**

A. General

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works		100 %
(a) for Parts A.1 (a), A.1 (b), C and D of the Project	280,000	
(b) for Part A.1 (c) of the Project	2,320,000	
(c) for Part A.2 of the Project	3,750,000	
(2) Goods		100 %
(a) for Parts A.1 (a), A.1 (b), C and D of the Project	820,000	
(b) for Part A.1 (c) of the Project	1,030,000	
(c) for Part A.2 of the Project	1,030,000	
(3) Consultants' services, training and audit		100 %
(a) for Parts A.1(a), A.1(b), C and D of the Project	3,600,000	
(b) for Part A.1(c) of the Project	1,700,000	

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(c) for Part A.2 of the Project	270,000	
(4) Matching Grants under Part B of the Project	1,500,000	50 % of amounts disbursed
(5) Operating Costs		100%
(a) for Parts A.1(a), A.1(b), C and D of the Project	650,000	
(b) for Part A.1(c) of the Project	204,000	
(c) for Part A.2 of the Project	310,000	
(6) Refunding of Project Preparation Advance	1,370,000	Amount due pursuant to Section 2.02 (b) of this Agreement
(7) Unallocated	366,000	
TOTAL	<u>19,200,000</u> =====	

2. For the purposes of this Schedule:

(a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term “local expenditures” means expenditures in the currency of the Borrower for goods or services supplied from the territory of the Borrower; and

(c) the term “Operating Costs” means the incremental operating costs arising under the Project on account of Project implementation, including vehicles operation and maintenance, communication costs, rental expenses, office maintenance costs, office supplies, utilities, consumables, travel cost and per diem for Project staff, but excluding salaries of officials of the Borrower’s civil service.

3. It is understood that the percentages of expenditures to be financed under Category (3) of the table set forth in paragraph A.1 of this Schedule have been calculated on the basis of the Statutory Instrument No. 152 of 1986 as amended by Statutory Instrument No. 38 of 1987, and Statutory Instrument No. 109 of 1996, pursuant to Customs and Excise Act, Chapter 322, of the laws of the Borrower, which provides for exemption of taxes levied in the territory of the Borrower on services for Bank financed Projects. If any change is made to said Statutory Instruments, which has the effect of levying taxes or customs duties on such services, the percentage referred to above shall be decreased in accordance with the provisions of Section 5.08 of the General Conditions.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

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

(b) Category (4), unless the Borrower and the Beneficiary shall have entered into a Matching Grant Agreement, in accordance with the procedures and the terms and conditions referred to in paragraph 4 of Schedule 4 to this Agreement and set forth in detail in the Project Implementation Plan, as shall be evidenced by the first five of such Matching Grant Agreement, furnished to the Association for its prior approval.

5. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than \$150,000 equivalent per contract; (b) works costing less than \$200,000 equivalent per contract; (c) for services of individual consultants costing less than \$50,000 equivalent per contract; (d) for services of consulting firms under contracts costing less than \$100,000 equivalent per contract; (e) Matching Grants; and (f) operating costs, all under such terms and conditions as the Association shall specify by notice to the Borrower.

6. The Borrower may request withdrawals from the Credit Account to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the FMR and any other information as the Association shall specify by notice to the Borrower (Report-based Disbursements). In the case of the first such request submitted to the Association before any withdrawal has been made from the Credit Account, the Borrower shall submit to the Association only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

B. Special Accounts

1. The Borrower may open and maintain in Dollars three separate special deposit accounts: (i) the MTENR Special Account for Parts A.1 (a), A.1 (b), B, C and D of the Project, (ii) Livingstone City Council Special Account for Parts A.1 (c) of the Project, and (iii) ZAWA Special Account for Part A.2 of the Project, all in commercial Banks acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment.

2. After the Association has received evidence satisfactory to it that the Special Accounts have been opened, withdrawals from the Credit Account of amounts to be deposited into the Special Accounts shall be made as follows:

(a) if the Borrower is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) if the Borrower is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of each Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of a Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into any Special Account:

(a) if the Association, at any time, is not satisfied that the reports referred to in Part A.6 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Borrower directly from the Credit Account; or

(c) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of: (i) the records and accounts for any Special Account; or (ii) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Association shall not be required to make further deposits into any Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Association shall have notified the Borrower and the Guarantor of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Accounts may be made and what procedures should be followed for making such deposits, and shall notify the Borrower and the Guarantor of its determination.

6. (a) If the Association determines at any time that any payment out of any Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into said Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further deposit by the Association into any Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association determines at any time that any amount outstanding in any Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in a Special Account.

(d) Refunds to the Association made pursuant to subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Development Credit Agreement.

**Annex A**  
**to**  
**SCHEDULE 1**

**Operation of the Special Accounts**  
**When Withdrawals Are Not**  
**Report-based Disbursements**

1. For the purposes of this Annex the term “Authorized Allocation” means:

(a) in respect of the MTENR Special Account, an amount equivalent to \$500,000 to be withdrawn from the Credit Account and deposited into said Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to \$300,000, until the aggregate amount of withdrawals from the Credit Account of amount allocated to Parts A.1(a), A.1(b), B, C, and D of the Project plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of amounts allocated to said Categories, shall equal or exceed the equivalent of SDR 1,000,000.

(b) in respect of the ZAWA Special Account, an amount equivalent to \$500,000 to be withdrawn from the Credit Account and deposited into said Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to \$300,000, until the aggregate amount of withdrawals from the Credit Account of amount allocated to Part A.2 of the Project plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of amounts allocated to said Categories, shall equal or exceed the equivalent of SDR 900,000.

(c) in respect of the Livingstone City Council Special Account, an amount equivalent to \$500,000 to be withdrawn from the Credit Account and deposited into said Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to \$300,000, until the aggregate amount of withdrawals from the Credit Account of amount allocated to Part A.1(c) of the Project plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of amounts allocated to said Categories, shall equal or exceed the equivalent of SDR 900,000.

2. Withdrawals of a Special Account’s Authorized Allocation and subsequent withdrawals to replenish the respective Special Account shall be made as follows:

(a) For withdrawals of said Special Account's Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the respective Special Account of an amount or amounts which in the aggregate do not exceed the aggregate amount of the Authorized Allocation. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into said Special Account such amount as the Borrower shall have requested.

(b) For replenishment of said Special Account, the Borrower shall furnish to the Association requests for deposit into said Special Account at such intervals as the Association shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the respective Special Account for Eligible Expenditures. Each such deposit into the respective Special Account shall be withdrawn by the Association from the Credit Account under the respective Eligible Categories.

3. The Association shall not be required to make further deposits into a Special Account, once the total unwithdrawn amount of the Credit minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of said Special Account's Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in said Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

**Annex B**  
**to**  
**SCHEDULE 1**

**Operation of the Special Accounts  
When Withdrawals Are  
Report-based Disbursements**

1. Withdrawals from the Credit Account shall be deposited by the Association into any of the Special Accounts in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the respective Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Special Account's Eligible Categories.
  
2. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the reports referred to in Part A.6 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.

## SCHEDULE 2

### Description of the Project

The objective of the Project is to support the Borrower's efforts to reduce the vulnerability of its economy to shocks by diversification of its sources of growth, including: (a) improving its sectoral policy and regulatory framework and strengthening the capacity of government agencies to implement them; (b) creating a conducive environment to encourage private sector investment; and (c) promoting and implementing conservation and management of biological diversity resources in the Protected Areas, including environmentally sustainable and socially inclusive livelihood of people living around targeted Protected Areas.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objective.

#### Part A: Tourism and Protected Areas

##### 1. Carrying out:

(a) policy, regulatory and institutional reform for the Department of Tourism Development, including developing and implementing a business plan, drafting, processing, and implementing a new framework tourism and hospitality legislation, supporting development of hotel training and tourism information system;

(b) development of tourism sites in Livingstone and Victoria Falls, through, *inter alia*: (i) rehabilitation of sites of interest, including the museum, city hall, tourism center, and upgrading the railway museum; (ii) enhancing dialogue on private-public participation, including strengthening the Tourism Council of Zambia and Livingstone Tourism Association to formalize such relationships; (iii) encourage linkages between tourism and other sectors; and (iv) supporting studies on enhancing tourism activities; and

(c) development of Livingstone City Council, and specifically: (i) designing and implementing an integrated development plan to direct growth of Livingstone town; (ii) implementing critical infrastructure development, including: (A) improving waste management system for Livingstone town, and (B) rehabilitation of selected priority roads in Livingstone town, sidewalks, surface drainage and street lighting; (iii) developing and implementing a business plan; (iv) upgrading the engineering, planning and financial departments, including strengthening the capacity of Livingstone City

Council for Project implementation; and (v) upgrading Mukuni Park, refurbishing the handicrafts' market and city hall.

2. Supporting ZAWA in strengthening Protected Area conservation and management through the carrying out of:

(a) development of Mosi-O-Tunya National Park, through: (i) strengthening Park administration and establishing a cost center; (ii) monitoring, management and rehabilitation of critical habitat and species to enhance ecosystems viability and attractiveness of the Park and its wildlife; (iii) monitoring activities for reducing poaching, pollution and other restricted activities; (iv) developing and maintaining road infrastructure within the Park; (v) building public-private partnerships and developing business ventures between the Park and main stakeholders, including, adjacent landowners and established private operators; and (vi) supporting management of wildlife and habitat; and

(b) development of Kafue National Park, through: (i) strengthening Park administration and establishing a cost center; (ii) monitoring, management and rehabilitation of critical habitat and species; (iii) strengthening ZAWA's capacity for Park management, including, efforts to reduce poaching, agriculture encroachment and other illegal activities; (iv) Park infrastructure development and maintenance, rehabilitation of office building and staff houses, and organizing an annual road maintenance system; and (v) building public-private partnerships and developing business ventures to organize and establish at least two private concessions and a flagship concession.

#### Part B: Agribusiness Sector Development

Carrying out a program for assisting private firms, farmers groups, and associations, in the Borrower's territory to engage in innovative initiatives, for: (a) stimulating an efficient supply chain structure from farm to market; (b) facilitating transfer of technology, including provision of technical advisory services to farmers; (c) strengthening capacity of farmer producer groups; and (d) encouraging quality certification and access to new export markets, all through:

- (i) provision of Matching Grants to firms and farmers groups and associations to enhance production and finance business support services, including marketing, production and business planning; and
- (ii) provision of technical advisory services to: (A) assist firms in the selection of the most suitable services and the providers of such

services, and (B) assist farmers groups and associations in improving farm technology.

Part C: Gemstones Sector Development

1. Strengthening transparency and governance in the mining sector to encourage private sector investment, through, *inter alia*: (a) formulation and adoption of a comprehensive mining sector development policy; (b) implementing a diagnostic review of the legal framework, including reviewing of laws relating to mining, and drafting mining regulations to promote development of the mining sector; (c) strengthening the capacity of Mining Bureaus in Kitwe and Livingstone in management, technical and financial practices, collection of mining fees, enforcement of work program agreements; (d) provision of training to small scale miners; and (e) establishing a modern and transparent regional cadastre interface and a field program for recording, updating and maintaining cadastral data on and status of all licensees and prospective mining areas.

2. Strengthening the supply chain of gemstones, including: (a) provision of technical assistance to small-scale and artisanal mining organizations to formalize and improve mining activities; (b) establishing an institutional mechanism to improve conditions for trade in gemstones; and (c) strengthening a representative group of private sector agencies to promote private sector investment in gemstone mining.

Part D: Project Management

Strengthening the capacity of Borrower's Project implementing agencies, including: (a) strengthening the capacity of the PCU to coordinate and monitor the implementation of the Project, and facilitate auditing and monitoring of the Project, and (b) strengthening the institutional capacities of Livingstone City Council, ZAWA, MTENR, MMMD, and MACO for Project implementation, all through the provision of technical advisory services and acquisition of goods and equipment.

\* \* \*

The Project is expected to be completed by May 31, 2009.

### **SCHEDULE 3**

#### **Procurement**

Section I.      Procurement of Goods and Works

Part A:        General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B:        International Competitive Bidding

1.        Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2.        The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a)      Grouping of contracts

To the extent practicable, contracts for goods and equipment shall be grouped in bid packages estimated to cost \$ 150,000 equivalent or more each.

(b)      Preference for domestically manufactured goods and domestic contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

(c)      Notification and Advertising

The invitation to bid for: (a) each contract for goods estimated to cost \$150,000 equivalent or more; and (b) each contract for works estimated to cost \$500,000 equivalent or more, shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Goods estimated to cost less than \$150,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Works estimated to cost less than \$500,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, may be procured under contracts awarded on the basis of shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement from UN Agencies

Motor vehicles and equipment, estimated to cost less than \$100,000 equivalent per contract, may be procured from IAPSO, in accordance with the provisions of paragraph 3.9 of the Guidelines.

4. Procurement of Small Works

Works estimated to cost less than \$50,000 equivalent per contract, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D:            Review by the Association of Procurement Decisions

1.        Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2.        Prior Review

With respect to: (a) contracts for goods estimated to cost the equivalent of \$150,000 or more; (b) the first two contracts for: (i) works under NCB estimated to cost the equivalent of \$200,000 or less; and (ii) Procurement of Small Works estimated to cost the equivalent of \$50,000 or less; and (c) contracts for works estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3.        Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II.        Employment of Consultants

Part A:            General

Except as provided in Part C of this Section, consultants' services shall be procured in accordance with the provisions of Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provision shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph: the short list of consultants for services estimated to cost less than \$100,000 equivalent per contract, may comprise entirely of national consultants in accordance with the provisions of paragraph 2.7 and footnote 8 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for assignments of a standard routine, including audits and supervision and engineering design of simple works, estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Single Source Selection

Services which are estimated to cost less than \$100,000 equivalent per contract may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

4. Individual Consultants

Services of individual consultants for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

5. Training Activities

Services for training activities shall be procured in accordance with the provisions of Section II of this Schedule on the basis of annual procurement plans, which shall have been approved by the Association and which shall, *inter alia*, identify: (a) the training needs; (b) the institutions which will coordinate the training; (c) the duration of the proposed training; and (d) an estimate of the unit cost.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Association for its review and approval prior to the issuance to consultants of any requests for proposals. Selection of all consultants' services shall be undertaken in accordance with such selection plan as updated from time to time as shall have been approved by the Association.

2. Prior Review

(a) With respect to: (i) the first two contracts for employment of consulting firms under Selection Based or Consultants' Qualifications, estimated to cost the equivalent of \$100,000 or less; (ii) each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more; and (iii) the terms of reference irrespective of the cost of the contract, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants: (i) estimated to cost the equivalent of \$50,000 or more, the report on the comparison of the qualifications and experience of candidates, terms of reference and terms of employment of the consultants; and (ii) the terms of reference irrespective of the cost of the contract, shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

## SCHEDULE 4

### Implementation Program

#### A. Institutional Arrangements

##### 1. The Borrower shall:

(a) implement the Project or cause the Project to be implemented in accordance with the Project Implementation Plan referred to in Article 6.01 (b) which shall define, *inter alia*, the following items: (i) description of Project activities, (ii) institutional arrangements for Project implementation, including description of the status of implementing units, their staff, resources, roles, responsibilities and functions in the Project implementation and their relationships to the Borrower; (iii) eligibility criteria for Matching Grants under Part B of the Project, including terms and conditions for access to the Matching Grants by the Beneficiaries; rules and procedures applicable to the preparation of, implementation, monitoring and evaluation of all the activities of the Project, including the preparation, implementation, monitoring and maintenance of activities carried out under the Matching Grants which shall include, *inter alia*, those rules and procedures defined in paragraph 4 of this Schedule; (iv) environmental, social, and pest management guidelines, rules and procedures defined in the SEA, Resettlement Policy Framework and IPMP, to be followed and implemented during the execution of the Project, including for activities carried out under the Matching Grants; (v) procedures manual defining rules and procedures to be used for the procurement of goods, works and services including standard bidding documents; (vi) financial procedures manual; (vii) performance indicators for all components; (viii) reporting modalities and disclosure of information; and (ix) outline terms of reference for all major consultancies to be financed under the Project; and

(b) not amend, abrogate or waive any provision thereof which, in the opinion of the Association, may materially and adversely affect the implementation of the Project or the achievement of the objective of the Project, without prior approval of the Association.

##### 2. The Borrower shall in accordance with the terms, conditions and timetables set forth in the Project Implementation Plan:

(a) maintain the PSC, throughout the period of implementation of the Project, with adequate membership, mandate and procedures to oversee the overall Project implementation, provide advice and policy guidance and facilitate coordination among ministries and agencies;

(b) maintain the PCU, at the MTENR, throughout the period of implementation of the Project: (i) headed by a qualified and experienced coordinator; and (ii) assigned with such functions and responsibilities, including Project coordination, monitoring, evaluation and reporting, making regular reports on project implementation to the PSC, and with competent staff in adequate numbers, all under terms of reference satisfactory to the Association;

(c) maintain Component Technical Coordinators, at MTENR, MACO, and MAMD, throughout the period of implementation of the Project, having qualifications, experience and assigned with such functions and responsibilities under terms of reference, satisfactory to the Association; and

(d) cause Livingstone City Council and ZAWA to maintain PIUs, throughout the period of implementation of the Project, headed by a qualified and experienced coordinator and assigned with such functions and responsibilities and with competent staff in adequate numbers, all under terms of reference satisfactory to the Association.

B. Part B of the Project:

3. For the purpose of implementing Part B of the Project:

(a) the Borrower shall establish and thereafter maintain a Matching Grant Committee in a form and with functions and resources satisfactory to the Association. To this end: (i) the Matching Grant Committee shall be comprised of the PCU financial management specialist, MACO Component Technical Coordinator, Management Contractor, a small scale farmer, and a representative of corporate sponsors; (ii) the Matching Grant Committee shall establish its own rules of procedure in accordance with its functions as set forth in the PIP; and (iii) the Matching Grant Committee shall be responsible for, *inter alia*, (A) reviewing financial proposals for agribusiness activities, and (B) approving the said proposals for financing.

(b) the Borrower shall, under a contract which shall have been approved by the Association, appoint, pursuant to the provisions of Section II of Schedule 3 to this Agreement, and on recommendation of the PCU, a Management Contractor.

(c) The Management Contractor appointed pursuant to subparagraph (a) above, shall, *inter alia*: (i) have autonomy in its operations in accordance with the terms of reference agreed with the Borrower; (ii) be responsible for ensuring full compliance with the rules and regulations set out in the PIP, and the eligibility criteria and terms and conditions for making grants referred to in paragraph 4 of this Schedule; and (c) prepare and furnish to the PCU quarterly and annual progress reports which shall serve as a basis

for a formal annual performance review to be carried out jointly with the Borrower and the Association.

4. Eligibility Criteria and Terms and Conditions Applicable to the Selection and Approval of Matching Grants

(a) In determining whether an applicant is eligible to obtain financing under Part B of the Project, the Management Contractor shall ensure that the following conditions are met:

- (i) the applicant is an individual entrepreneur, a firm or group of firms of entrepreneurs, a farmers' association or group of farmers' associations or private sector agencies, duly established and operating under the laws of the Borrower;
- (ii) the applicant is privately owned and operated and is not fully or partly owned by the Borrower or entities controlled by the Borrower; and, in the case of a farmer's association, or group is not a farmer's association or group which receives financial support for its operations from the Borrower;
- (iii) the applicant is carrying out operations in the agribusiness sector of the Borrower's economy; and
- (iv) the applicant has prepared an adequate business plan for the attainment of which the applicant intends to obtain business services which business plan shall, *inter alia*, include projected increases in sales revenue, the description of financial resources required for its implementation, the anticipated sources of funds, the proposed time frame of implementation, the benefits expected to be derived and, in the case of farmers associations, agencies and groups, an assessment of the likelihood that the services to be developed are directed to enhancing the marketing of farm produce.

(b) The Management Contractor shall ensure: (i) that, unless otherwise agreed by the Borrower and the Association in their periodic annual reviews of progress made in carrying out of the Project, no Matching Grant shall be made from the proceeds of the Credit for financing; (ii) any agribusiness activity or technical advisory services to an individual entrepreneur or firm or a farmers' association or group, if the aggregate amount of such grant(s) exceeds \$200,000 equivalent; and (iii) that, in any event, the amount of a Matching Grant from the proceeds of the Credit, including any financing

from sources other than those of the recipient, shall not exceed 50% of the total cost of the proposed technical advisory services.

(c) The Borrower shall make available to the Beneficiaries the proceeds of the Credit allocated from time to time to Category 4 in the table set forth in Schedule 1 to this Agreement for carrying out approved activities under Part B of the Project, under Matching Grant Agreements under terms and conditions set forth in the Project Implementation Plan and which shall include those set forth in subparagraphs (a) and (b) of this paragraph.

C. Subsidiary Agreements

5. Terms and Conditions of Subsidiary Agreements

The terms and conditions of each Subsidiary Agreement shall include the following obligations of ZAWA and Livingstone City Council:

(a) carry out the Project with due diligence and efficiency, in conformity with appropriate administrative, financial, technical and environmental practices and in accordance with the PIP, and provide, or cause to be provided, promptly as needed, the facilities, services and other resources required for the Project;

(b) comply with the procedures for procurement of goods, works and consultant services set forth in Schedule 3 to this Agreement;

(c) comply with record keeping, auditing and reporting requirements set forth in Section 4.01 of this Agreement with respect to the Project, including the annual auditing of its records and accounts in respect of the Project (operations, resources and expenditure in respect of the Project);

(d) at the request of the Borrower or the Association, exchange views with the Borrower and the Association with regard to the progress of the Project and the performance of its obligations under the Subsidiary Agreement;

(e) promptly inform the Borrower and the Association of any condition which interferes or threatens to interfere with the progress of the Project, or the performance of its obligations under the Subsidiary Agreement; and

(f) except as the Borrower and the Association shall otherwise agree, neither take nor concur in any action which would have the effect of amending, abrogating, assigning or waiving Subsidiary Agreement or any provision thereof; and

(g) in case of conflict between the Subsidiary Agreement and this Agreement, the latter shall prevail.

D. SEA, RPF and IPMP

6. (a) SEA

The Borrower shall: (i) take or cause to be taken all action which shall be necessary under the SEA, and shall prior to commencement of any civil works for construction, rehabilitation, or mining, or any activities in the Protected Areas under the Project, carry out an environmental impact assessment satisfactory to the Association, in accordance with the terms and conditions set forth in the SEA; and (ii) ensure that the Management Contractor shall not approve any agribusiness proposals for Matching Grants under Part B of the Project, unless such proposals are in compliance with the screening process established in the SEA, and until appropriate measures are adopted and carried out by the Beneficiary to offset, mitigate and/or reduce such potential adverse impacts.

(b) RPF

Prior to commencement of any construction or rehabilitation or mining or any activity in the Protected Areas, all involving involuntary resettlement or involuntary acquisition of land, the Borrower shall, prepare and implement appropriate resettlement plans for compensation, resettlement and rehabilitation of Displaced Persons, in accordance with the Resettlement Policy Framework and Process Framework, and in form and substance satisfactory to the Association.

(c) RAP

The Borrower shall: (i) carry out the RAP, in involuntary resettlement of Displaced Persons in Mosi-O-Tunya National Park, and (ii) ensure appropriate compensation, resettlement and rehabilitation of such Displaced Persons.

(d) IPMP

The Borrower shall ensure that any proposal for any agribusiness activity involving purchase of any pesticides, herbicides or sprayers by farmers shall be in compliance with the requirements of the IPMP, acceptable to and approved by the Association.

D. Monitoring , Evaluation and Reporting

7. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 5 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about February 15 of each year, an annual report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date;

(c) review with the Association, by March 15 of each year, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter;

(d) prepare, under terms of reference satisfactory to the Association, and furnish to the Association on or about November 1 of each year, a report setting out the composition of the proposed work program for the following year together with targets to be achieved with regards to the various objectives of the Project; and

(e) review with the Association, by December 1 of each year or such later date as the Association shall request, the report referred to in paragraph (d) above, and, thereafter, take all measures required for the achievement of the Project objectives based on the conclusions and recommendations of the said report and the Association's view on the matter.

8. Midterm Review

(a) The borrower shall not later than February 15, 2007, or such later date as shall be agreed by the Association, prepare, under terms of reference satisfactory to the Association, and furnish to the Association, a midterm review report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 9 of this Schedule, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to

ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(b) review with the Association, by March 15, 2007, or such later date as the Association shall request, the report referred to in paragraph (a) above, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Associations views on the matter.

## **SCHEDULE 5**

### **Performance Monitoring Indicators**

1. Tourism
  - (a) Number of bed-nights in lodging facilities in Livingstone increased by about 20% and number of direct jobs in tourism related facilities grows by about 20%.
  - (b) Review of laws relating to tourism and implementation of the recommendations, by the end of 2005.
  - (c) Business plan for Livingstone City Council adopted, by June of 2005.
  - (d) Tourism-related ZAWA annual revenues for Mosi-O-Tunya National Park (excluding Victoria Falls) increases from \$380,000 to \$500,000 by end of Project.
  - (e) Management effectiveness of Protected Areas as measured on the basis of internationally accepted tracking tool, improved from the current 41 to 68 for Mosi-O-Tunya National Park, and from the current 41 to 64 for Kafue National Park, by end of Project.
  - (f) The integrated development plan for Livingstone area, adopted by the end of 2005.
  
2. Agribusiness
  - (a) Revenues of participating small scale farmers increased by about 20% by end of Project.
  - (b) Employment in participating export-oriented agro-businesses increased by about 20%, by end of Project.
  
3. Gemstone
  - (a) Volume of gemstone exports increased by about 10% annually.

- (b) Amethyst volume of production growth in Mapatizya in the Southern Province of the Borrower's territory increased annually by about 10%.
- (c) The Borrower has revised its mining sector development policy by June 2007.
- (d) The Borrower has revised its mining legislation and regulations and implemented the recommendations by June 2007.