

Public Disclosure Authorized

**CONFORMED COPY**

**CREDIT NUMBER 3866-1 ZA**

# **Financing Agreement**

**(Additional Financing for Road Rehabilitation and Maintenance Project)**

**between**

**REPUBLIC OF ZAMBIA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated April 12, 2007**

Public Disclosure Authorized

**FINANCING AGREEMENT**

Agreement dated April 12, 2007, entered into between the REPUBLIC OF ZAMBIA (hereinafter referred to as the “Recipient”) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter referred to as the “Association”) for the purpose of providing additional financing for the Original Project (as defined in the Appendix to this Agreement). The Recipient and the Association hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement or to the extent applicable, in the Original Financing Agreement.

**ARTICLE II — FINANCING**

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to sixteen million eight hundred thousand Special Drawing Rights (SDR 16,800,000) (“Credit”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

- 2.05. The Payment Dates are April 1 and October 1 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollars.

### **ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project and the Program. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

### **ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Event of Suspension consists of the following:
  - (a) A situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out.

### **ARTICLE V — TERMINATION**

- 5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.02. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the date of this Agreement.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

6.01. The Recipient's Representative is the Minister responsible for Finance.

6.02. The Recipient's Address is:

Ministry of Finance and National Planning  
P.O. Box 50062  
Lusaka  
Republic of Zambia

Telex:	Facsimile:
42221	253494
	251078

6.03. The Association's Address is:

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

Telex:	Facsimile:
248423 (MCI)	1-202-477-6391

AGREED in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF ZAMBIA

By /s/ Ng'andu P. Magande

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Michael Baxter

Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objectives of the Project are to support the Recipient in implementing the first six years (2004 - 2010) of the Program, including: (a) preserving its public core road network; (b) development of adequate institutional capacity for effective, efficient, equitable and sustainable management of the public road infrastructure, and road safety; (c) extension of urban and rural transport infrastructure and services for increased accessibility; and (d) extension of community transport infrastructure.

The Project constitutes the first phase of the Program, and consists of the Original Project.

## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Implementation Arrangements**

##### **A. Institutional Arrangements**

1. The Recipient shall implement the Project or cause the Project to be implemented in accordance with the Project Implementation Plan, the Accounting and Financial Procedures Manual and the Environmental Management Plan (EMP), and, except as the Recipient and the Association shall otherwise agree, the Recipient shall not amend or waive any provision of the Project Implementation Plan, the Accounting and Financial Procedures Manual and the Environmental Management Plan, if in the opinion of the Association, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.
2. (a) The Recipient shall designate NRFA to have overall responsibility for coordination of the management of the Project, and addressing day-to-day issues arising in the course of the implementation of the Project, including implementation of financial management of operations, reporting, preparation of annual work programs, procurement management operations, disbursement, accounts and monitoring of Project activities.  
  
(b) MCT shall be responsible for policy guidance and overseeing the overall implementation of the Project activities, including monitoring performance and progress.

##### **B. Environmental Management Plan and Resettlement Policy Framework**

1. The Recipient shall carry out the EMP and shall:
  - (a) prior to commencing of the civil works for rehabilitation, maintenance or upgrading of road infrastructure, carry out an environmental impact assessment in accordance with the procedures set forth in the EMP, and in a form satisfactory to the Association;
  - (b) in the event that an environmental impact assessment determines that such civil works, if carried out, would have, in the opinion of the Association, a potential for negative environmental impact, the Recipient shall not carry out such civil works until an appropriate action has been discussed and agreed upon by the Recipient and the Association to mitigate such potential negative impact; and

- (c) thereafter the Recipient shall carry out such agreed mitigation action referred to in sub-paragraph (b) above.

2. Prior to commencement of any civil works for rehabilitation, maintenance or upgrading a road infrastructure, involving resettlement or involuntary resettlement or acquisition of land, the Recipient shall prepare and implement appropriate resettlement plans for compensation, resettlement and rehabilitation of Displaced Persons, in accordance with the Resettlement Policy Framework, and in form and substance satisfactory to the Association.

## **Section II. Project Monitoring, Reporting and Evaluation**

### **A. Project Reports**

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each Project Report shall cover the period of six months, and shall be furnished to the Association not later than one month after the end of the period covered by such report.
2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than December 31, 2009.

### **B. Financial Management, Financial Reports and Audits**

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association, not later than 45 days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.



**Section III. Procurement**

**A. General**

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods and Works**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<b>Procurement Method</b>
(a) National Competitive Bidding
(b) Shopping
(c) Direct Contracting
(d) Procurement from UN Agencies

**C. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection,

which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>
(a) Least Cost
(b) Consultants' Qualifications
(c) Single Source
(d) Individual Consultants

**D. Review by the Association of Procurement Decisions**

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

**Section IV. Withdrawal of the Proceeds of the Financing**

**A. General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

By Disbursement Category	Total (SDR)	% of Financing
1. Works	10,410,000	100%
2. Goods	670,000	100%
3. Consultants' Services	3,230,000	100%
4. Training	170,000	100%
5. Operating Costs	170,000	100%
6. Refund of Project Preparation Advance	670,000	Amount payable pursuant to Section 2.07 of the General Condition
7. Unallocated	1,480,000	100%
<b>Total</b>	<b>16,800,000</b>	<b>100%</b>

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed six hundred and seventy thousand SDR (SDR 670,000) equivalent may be made for payments made prior to this date but on or after January 2, 2007, for Eligible Expenditures.
2. The Closing Date is June 30, 2010.

**SCHEDULE 3**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each April 1 and October 1:	
commencing April 1, 2017 to and including October 1, 2026	1%
commencing April 1, 2027 to and including October 1, 2046	2%

\* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

## **APPENDIX**

### **Definitions**

1. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
2. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
3. “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.
4. “Environmental Management Plan” (EMP) means the set of mitigation, enhancement, monitoring, and institutional measures dated November 2003, to be taken during implementation of the Project to mitigate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, or to enhance positive impacts.
5. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.
6. “MCT” means the Ministry of Communication and Transport of the Recipient.
7. “NRFA” means the National Road Fund Agency established under the National Road Fund Act No. 13 of 2002, of the laws of the Recipient.
8. “Original Financing Agreement” means the development credit agreement for a Road Rehabilitation and Maintenance Project between the Recipient and the Association, dated March 22, 2004, as amended to the date of this Agreement (Credit No. 3866-ZA).
9. “Original Project” means the Project described in the Original Financing Agreement.
10. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.

11. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated January 25, 2007 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
12. “Program” means the program designed to develop the Recipient’s road sector and implement its road sector policy, and strengthen institutional framework, and to facilitate economic growth and diversification, through undertaking appropriate investments in road infrastructure and developing a sustainable system for financing and managing the Recipient’s road network, set forth or referred to in the letter dated February 9, 2004, from the Recipient to the Association.
13. “Project Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient in two installments, pursuant to (i) the letter agreement signed on behalf of the Association on October 11, 2005, and on behalf of the Recipient on October 19, 2005; and (ii) the letter agreement signed on behalf of the Association on March 7, 2006, and on behalf of the Recipient on March 27, 2006.
14. “Resettlement Policy Framework” means the framework dated November 2003, outlining the modalities for land taking and/or expropriation, resettlement, compensation and rehabilitation of Displaced Persons under the Project.