

CONFORMED COPY

TF Number 020038
AGREEMENT RELATED TO CREDIT NUMBER 2755 ZA

Swedish Grant Agreement

(Second Social Recovery Project)

between

REPUBLIC OF ZAMBIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
as Administrator of Grant Funds provided by

THE KINGDOM OF SWEDEN

Dated November 13, 1995

TF Number 020038
AGREEMENT RELATED TO CREDIT NUMBER 2755 ZA

SWEDISH GRANT AGREEMENT

AGREEMENT, dated November 13, 1995, between the REPUBLIC OF ZAMBIA (the Grantee) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) acting as Administrator (the Administrator) of the Swedish Grant, (as hereinafter defined), provided by the Kingdom of Sweden (Sweden).

WHEREAS: (A) Sweden has agreed to make available a grant (the Swedish Grant), through the Administrator, to the Grantee to assist in financing Parts A.3 and B of the Second Social Recovery Project (the Project) described in Schedule 2 to the Development Credit Agreement (Credit No. 2755 ZA) dated July 18, 1995 (the Development Credit Agreement) between the Grantee and the Association, on the terms and conditions hereinafter set forth;

(B) by an agreement dated November 6, 1995 between Sweden and the Association (the Administration Agreement), Sweden has requested the Association, and the Association has accepted, to administer the Swedish Grant in accordance with the provisions of the Administration Agreement;

(C) the Grantee acknowledges that the financial assistance extended to the Grantee under this Agreement (the Swedish Grant Agreement) shall be considered as part of the bilateral development aid extended by Sweden to the Grantee; and

(D) the Administrator has agreed on the basis, inter alia, of the foregoing to extend the Swedish Grant to the

Grantee in support of the Project, 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 (the General Conditions) constitute an integral part of this Agreement subject, however, to the following modifications thereof:

(a) the term "Association", whenever used in the General Conditions, means the International Development Association acting as Administrator of the Swedish Grant pursuant to the Administration Agreement, except in the phrase "member of the Association" in Sections 2.01 (5), 4.02 (b) and 6.02 (e);

(b) the term "Borrower", whenever used in the General Conditions, means the Grantee;

(c) the term "Development Credit Agreement", whenever used in the General Conditions, means the Swedish Grant Agreement;

(d) the term "Credit", whenever used in the General Conditions, means the Swedish Grant;

(e) the term "Credit Account", whenever used in the General Conditions, means the trust account opened by the Administrator in its books in the name of the Grantee to which the amount of the Swedish Grant is credited (the Trust Account);

(f) in Section 6.02 the term "Association" shall also include the Association acting in its own capacity;

(g) Section 9.06 (c) shall be modified to read:

"(c) Not later than six months after the Closing Date, or such later date as may be agreed for this purpose between the Grantee and the Administrator, the Grantee shall prepare and furnish to the Administrator a report of such scope and in such detail as the Administrator shall reasonably request, on the execution of the activities referred to in the Preamble to the Swedish Grant Agreement, the performance by the Grantee and the Administrator of their respective obligations under the Swedish Grant Agreement and the accomplishment of the purposes of the Swedish Grant."; and

Sections 3.02, 3.03, 3.04, 3.05, 4.02, 4.03, 4.04, 4.06, 6.05, 7.01, 8.01 (a), and Article XII are deleted.

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions, in the Administration Agreement, and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings, that is, "Swedish Kroner" or "SEK" means the currency of Sweden.

ARTICLE II

The Grant

Section 2.01. The Administrator agrees to extend to the Grantee, on the terms and conditions herein set forth or

referred to, a grant in an amount of four million one hundred and fifty thousand Swedish Kroner (SEK 4,150,000) or such other amount as shall have been made available by Sweden to the Administrator for this purpose pursuant to the Administration Agreement.

Section 2.02. (a) The amount of the Swedish Grant may be withdrawn from the Trust Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Grantee and the Administrator for expenditures made (or if the Administrator shall so agree, to be made) in respect of the reasonable cost of the goods and services required for the Project.

(b) Notwithstanding the provisions of paragraph (a) above, no withdrawals shall be made in respect of payments for taxes levied by, or in the territory of, the Grantee on goods and services or in the importation, manufacture, procurement or supply thereof.

Section 2.03. (a) Consultants and experts acceptable to the Administrator shall be employed by the Grantee on terms and conditions satisfactory to the Administrator for the provision of services to be financed out of the proceeds of the Swedish Grant. Such consultants and experts shall be selected in accordance with procedures satisfactory to the Administrator on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" (the Guidelines), published by the Bank in August 1981. No substitution of such consultants and experts or modification of the terms and conditions of their employment shall be made except with the prior consent of the Administrator.

(b) If the Administrator shall have reasonably determined that the procurement of any item is inconsistent with the procedures set forth or referred to in paragraph (a) above, no expenditures for such item shall be financed out of the proceeds of the Swedish Grant, and the Administrator may, without in any way restricting or limiting any other right, power or remedy of the Administrator under this Agreement, by notice to the Grantee, cancel such amount of the Swedish Grant as, in the Administrator's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Swedish Grant.

Section 2.04. The Closing Date shall be December 31, 2000 or such later date as the Administrator shall establish. The Administrator shall promptly notify the Grantee of such later date.

ARTICLE III

Execution of the Project

Section 3.01. The Grantee declares its commitment to the objectives of the Project and, to this end, shall carry out the Project, with due diligence and efficiency, and in conformity with appropriate administrative, financial and public health practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Grantee shall maintain, or cause to be maintained, records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project, of the

departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Grantee shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Administrator;
- (ii) furnish to the Administrator, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Administrator shall have reasonably requested; and
- (iii) furnish to the Administrator such other information concerning said records, accounts and the audit thereof as the Administrator shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Trust Account were made on the basis of statements of expenditure, the Grantee shall:

- (i) maintain, or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Administrator has received the audit for the fiscal year in which the last withdrawal from the Trust Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Administrator's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Effectiveness

Section 5.01. This Agreement shall become effective on the date of its signature and shall continue in effect until the Swedish Grant has been fully disbursed and the parties to this Agreement have fulfilled their obligations under this Agreement.

ARTICLE VI

Representative; Transfer of Rights and Obligations

Section 6.01. The Minister of Finance of the Grantee shall be the representative of the Grantee for the purposes of

Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Grantee:

Ministry of Finance
P.O. Box 50062
Lusaka, , Zambia

Cable address:	Telex:
MINFIN Lusaka	42221

For the Administrator:

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

Cable address:	Telex:
INDEVAS Washington, D.C.	248423 (RCA) 82987 (FTCC) 64145 (WUI) or 197688 (TRT)

Section 6.03. In accordance with the provisions of the Administration Agreement, the rights and obligations of the Administrator under this Agreement may be transferred to Sweden. The Grantee accepts and agrees that, upon notice by the Administrator to the Grantee to that effect, Sweden shall, ipso facto, from the date specified in such notice, be substituted in all rights and obligations of the Administrator under this Agreement as if Sweden had been an original party to this Agreement, without any further action or formality being required on the part of any party, and from such date the Administrator shall cease to have any rights or obligations as a party under this Agreement.

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

THE REPUBLIC OF ZAMBIA

By /s/ George Nzala
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
as Administrator of Grant Funds
provided by the Kingdom of Sweden

By /s/ Stephen Denning
Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Swedish Grant

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

Category	Amount of the Grant Allocated (Expressed in SEK)	% of Expenditures to be Financed
Consultants' services under Parts A.3 and B of the Project	4,150,000	100%
TOTAL	4,150,000 =====	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

