

CONFORMED COPY

CREDIT NUMBER 3392-2-ZA
(Second Amendment)

Second Agreement Amending
Development Credit Agreement

(Fiscal Sustainability Credit)

between

REPUBLIC OF ZAMBIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 22, 2000

CREDIT NUMBER 3392-2-ZA
(Second Amendment)

AGREEMENT AMENDING
DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated December 22, 2000, between REPUBLIC OF ZAMBIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower and the Association have entered into a Development Credit Agreement (Fiscal Sustainability Credit) dated July 27, 2000 (the Development Credit Agreement), for the purpose of providing support during the execution of the Borrower's program designed to achieve structural adjustment of the Borrower's economy;

(B) pursuant to an Agreement Amending the Development Credit Agreement (Fiscal Sustainability Credit) between the Borrower and the Association, dated December 22 (the First Amending Agreement), the Association has agreed to provide additional assistance in support of the Program;

(C) the Borrower has requested the Association to provide additional assistance in support of the Program to address imbalances in its economy caused by recent increases in oil prices, by increasing the amount made available under the Development Credit Agreement by an amount in various currencies equivalent to twenty-three million five hundred thousand Special Drawing Rights (SDR 23,500,000); and

WHEREAS the Association has agreed on the basis, inter alia, of the foregoing, to provide such additional assistance to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Amendments of the Development Credit Agreement

Section 1.01. Section 1.02 of the Development Credit Agreement is amended as follows:

(a) a new paragraph (q) is added reading:

"(q) 'Second Amending Agreement' means this Second Agreement Amending the Development Credit Agreement (Fiscal Sustainability Credit) between the Borrower and the Association, dated December 22."

Section 1.02. Section 2.01 of the Development Credit Agreement is amended to read as follows:

(a) "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 one hundred thirty million six hundred thousand Special Drawing Rights (SDR 130,600,000) (the Credit), which includes: (a) an original amount in various currencies equivalent to one hundred five million five hundred thousand Special Drawing Rights (SDR 105,500,000) (the Initial Financing); (b) an additional amount in various currencies equivalent to one million six hundred thousand Special Drawing Rights (SDR 1,600,000) (the First Additional Financing); and (c) a second supplemental amount in various currencies equivalent to twenty-three million five hundred thousand million Special Drawing Rights (SDR 23,500,000) (the Second Additional Financing) in three tranches as set out below."

(b) Paragraph (a) of Section 2.01 of the Development Credit Agreement is amended to read as follows:

"(a) a first tranche in an amount equivalent to SDR 59,000,000; and"

Section 1.03. Section 2.02 of the Development Credit Agreement is amended as follows:

(a) Paragraph (a) is amended by substituting the phrase "paragraphs (b), (c), (d), (e) and (f)" by "paragraphs (b), (c), (d), (e), (f) and (g)".

(b) The following paragraph (g) is added at the end of said Section 2.02 reading as follows:

"(g) After a date twelve months from the date of the Amending Agreement, no withdrawal shall be made from the Credit Account in respect of expenditures to be financed out of the proceeds of the Additional Financing. At any time after such date, the Association may, by notice to the Borrower, cancel the unwithdrawn amount of the Additional Financing from the Credit Account or any part thereof."

Section 1.04. Paragraph (b) (i) of Section 2.04 of the Development Credit Agreement is amended by adding after the term "the date of the Amending Agreement" the

following proviso reading:

"and that any commitment charge on the Second Additional Financing shall accrue from a date sixty days after the date of the Second Amending Agreement."

ARTICLE II

Effective Date; Termination

Section 2.01. This Second Amending Agreement shall not become effective until evidence satisfactory to the Association shall have been furnished to the Association that: (a) the macroeconomic policy framework of the Borrower is satisfactory, as measured on the basis of indicators agreed between the Borrower and the Association; and (b) the execution and delivery of this Second Amending Agreement on behalf of the Borrower have been duly authorized or ratified by all necessary governmental action.

Section 2.02. As part of the evidence to be furnished pursuant to Section 2.01 of this Second Amending Agreement, there shall be furnished to the Association an opinion or opinions satisfactory to the Association of counsel acceptable to the Association showing, on behalf of the Borrower, that this Second Amending Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and is legally binding upon the Borrower in accordance with its terms.

Section 2.03. This Second Amending Agreement shall come into force and effect on the date upon which the Association shall dispatch to the Borrower notice of its acceptance of the evidence required by Section 2.01 of this Amending Agreement.

Section 2.04. If this Second Amending Agreement shall not have come into force and effect by a date ninety (90) days after the date of this Second Amending Agreement, this Amending Agreement and all obligations of the parties hereunder shall terminate, unless the Association establishes a later date for the purposes of this Section. If this Second Amending Agreement shall terminate under the provisions of this Section, the Development Credit Agreement shall continue in full force and effect, as if this Second Amending Agreement had not been executed.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Amending 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.

REPUBLIC OF ZAMBIA

By /s/ Atan Shansonga

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo

Regional Vice President
Africa



