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**GRANT NUMBER E2810-ZM**

# **Financing Agreement**

**(Second Macroeconomic Stability, Growth and Competitiveness Development Policy  
Financing)**

**between**

**REPUBLIC OF ZAMBIA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

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**GRANT NUMBER E2810-ZM**

**FINANCING AGREEMENT**

AGREEMENT dated as of the Signature Date between REPUBLIC OF ZAMBIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, *inter alia*, of: (i) the actions which the Recipient has already taken under the Program, and which are described in Section I A of Schedule 1 to this Agreement; and (ii) the Recipient’s maintenance of an adequate macroeconomic policy framework. The Recipient and the Association therefore hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

**ARTICLE II — FINANCING**

- 2.01. The Association agrees to extend to the Recipient a grant, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to ninety-five million two hundred thousand Special Drawing Rights (SDR 95,200,000) (“Financing”).
- 2.02. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.03. The Payment Dates are June 15 and December 15 in each year.
- 2.04. The Payment Currency is Dollar.
- 2.05. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Recipient shall promptly furnish to the Association such information relating to the provisions of this Article II as the Association may, from time to time, reasonably request.

**ARTICLE III — PROGRAM**

- 3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:

- (a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient's macroeconomic policy framework and the progress achieved in carrying out the Program;
- (b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and
- (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

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

- 4.01. The Additional Event of Suspension consists of the following, namely, situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

#### **ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Conditions of Effectiveness consist of the following, namely, the Association is satisfied: (a) with the progress achieved by the Recipient in carrying out the Program; and (b) with the adequacy of the Recipient's macroeconomic policy framework.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 5.03. For purposes of Section 10.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the Signature Date.

#### **ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Recipient's Representative is its minister responsible for finance.
- 6.02. For purposes of Section 11.01 of the General Conditions:
  - (a) the Recipient's address is:

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

(b) the Recipient's Electronic Address is:

Telex:  
42221

Facsimile:  
(+260 211) 253494/251078

6.03. For purposes of Section 11.01 of the General Conditions:

(a) the Association's address is:

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

(b) the Association's Electronic Address is:

Telex:  
248423 (MCI)

Facsimile:  
1-202-477-6391

AGREED as of the Signature Date.

**REPUBLIC OF ZAMBIA**

**By**

*Dr. Situmbeko Musokotwane*

\_\_\_\_\_  
**Authorized Representative**

Dr. Situmbeko Musokotwane

**Name:** \_\_\_\_\_

**Title:** \_\_\_\_\_ Minister of Finance and National Planning

**Date:** \_\_\_\_\_ 22-Dec-2023

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By**

*Achim Fock*

\_\_\_\_\_  
**Authorized Representative**

Achim Fock

**Name:** \_\_\_\_\_

**Title:** \_\_\_\_\_ Country Manager

**Date:** \_\_\_\_\_ 22-Dec-2023

## SCHEDULE 1

### Program Actions; Availability of Financing Proceeds

#### Section I. Actions under the Program

- A. Actions Taken Under the Program. The actions taken by the Recipient under the Program include the following:

##### **Pillar A: Restoring Fiscal and Debt Sustainability**

1. To strengthen debt accountability and transparency, the Recipient, through its Ministry of Finance and National Planning, has submitted to parliament for approval the *2024 Annual Borrowing Plan*, which restricts external borrowing to concessional sources (as evidenced by the letter from the Clerk of the National Assembly dated October 13, 2023).
2. To improve budgetary governance and credibility, the Recipient has, through its Cabinet: (i) issued *Cabinet Office Circular* minute no.13 of 2023, which requires the appraisal of all major investment projects developed by Ministries, Provinces and Spending Agencies before their inclusion in *inter alia* the national budget; and (ii) submitted to Parliament the *Public-Private Partnership (PPP) Bill*, which *inter alia* requires the assessment of fiscal commitments and contingent liabilities for projects before implementation (as evidenced by the letter from the Clerk of the National Assembly dated October 13, 2023) .

##### **Pillar B: Increasing farmer productivity and access to agricultural markets**

3. To increase farmer productivity, the Recipient, through its Cabinet, has approved the '*Action Plan for the Full Migration of the Farmer Input Support Programme (FISP) to an Electronic Agricultural Input Support System*', which establishes migration principles and criteria that promote transparency in beneficiary selection and private sector participation (as evidenced by the letter from the Office of the President Cabinet office no. CO.101/4/705 SEC dated December 29, 2022).

##### **Pillar C: Ensuring sustainable access to energy**

4. To expand electricity access to poor and vulnerable households and support investments in non-hydro renewable energy, the Recipient has, through its Cabinet, approved a long-term *Integrated Resource Plan* as a blueprint to guide future developments in the use of off-grid and on-grid technologies (as evidenced by the letter from the Office of the President Cabinet office no. CO.101/4/723 SEC dated November 14, 2022).

5. To promote transparency in diesel supply by oil marketing companies, the Recipient, through its Ministry of Energy, has: (i) issued the *Energy Regulations (General) Regulations, 2023*, which provide licensing and transporting requirements through a Pipeline; and (ii) adopted the *TAZAMA Pipeline Open Access Guidelines for Transportation of Low Sulphur Gasoil*, which *inter alia* provide rights of access to the Pipeline.

**Pillar D: Enhancing access to finance and private sector development**

6. To align financial services with the Recipient's Nationally Determined Contributions under the Paris Agreement, the Recipient, through the Bank of Zambia, has approved a *Green Finance Framework* and issued the *Banking and Financial Services (Green Loans) Guidelines*.
7. To increase the inflow of foreign direct investment, the Recipient, through the Zambia Development Agency, has published on its website instructions that consolidate FDI entry rules and adopt a negative list, aligning with the transparency obligations under WTO Investment Facilitation for Development Agreement and Investment Protocol of the Africa Continental Free Trade Area Agreement.

**Section II. Availability of Financing Proceeds**

**A. General.**

The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.

- B. Allocation of Financing Amounts.** The Financing is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing proceeds. The allocation of the amounts of the Financing to this end is set out in the table below:

<b>Allocations</b>	<b>Amount of the Financing Allocated (expressed in SDR)</b>
(1) Single Withdrawal Tranche	95,200,000
<b>TOTAL AMOUNT</b>	<b>95,200,000</b>

**C. Withdrawal Tranche Release Conditions.**

No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied: (a) with the Program being carried out by the Recipient; and (b) with the adequacy of the Recipient's macroeconomic policy framework.

**D. Deposit of Financing Amounts.**

The Recipient, within thirty (30) days after the withdrawal of the Financing from the Financing Account, shall report to the Association: (a) the exact sum received into the account referred to in Section 2.03(a) of the General Conditions; (b) the details of the account to which the Zambia Kwacha equivalent of the Financing proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Recipient's budget management systems; and (d) the statement of receipts and disbursement of the account referred to in Section 2.03 (a) of the General Conditions.

**E. Closing Date.** The Closing Date is January 15, 2026.



## APPENDIX

### Section I. Definitions

1. “Action Plan for the Full Migration of the Farmer Input Support Programme (FISP) to an Electronic Agricultural Input Support System means the Recipient’s Action Plan for the Full Migration of the Farmer Input Support Programme (FISP) to an Electronic Agricultural Input Support System dated December 2022.
2. “2024 Annual Borrowing Plan” means the Recipient’s Annual Borrowing for the Financial Year 2024, prepared in accordance with the Recipient’s Public Debt Management Act no. 15 of 2022.
3. “Banking and Financial Services (Green Loans) Guidelines” means the Recipient’s Banking and Financial Services (Green Loans) Guidelines, 2023 as published in government gazette no. 7504 dated October 6, 2023, volume LIX no. 94.
4. “Bank of Zambia” means the Recipient’s Central Bank established pursuant to Article 213 of the Recipient’s Constitution.
5. “Cabinet” means Recipient’s Cabinet of ministers.
6. “Energy Regulations (General) Regulations, 2023” means the Recipient’s Energy Regulations (General) Regulations, 2023, Statutory Instrument No. 41 of 2023, published in the Supplement to the Recipient’s Government Gazette dated September 15, 2023.
7. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated December 14, 2018 (Last revised on July 15, 2023).
8. “Green Finance Framework” means Green Finance Framework dated August 28, 2023, an addendum to the Bank of Zambia Green Policy 2018.
9. “Investment Protocol of the Africa Continental Free Trade Area Agreement” means the Protocol to the Agreement establishing Africa Continental Free Trade Area on Investment, adopted by the African Union heads of State on February 19, 2023, which establishes a comprehensive framework of principles and rules for investment.
10. “Integrated Resource Plan” means the Recipient’s 30-year power subsector plan aimed at diversifying the power mix and making the subsector climate resilient and financially stable, dated October 2023.

11. “Nationally Determined Contributions” means the Recipient’s national plan embodying climate change mitigation and adaptation efforts and actions that the Recipient intends to take in line with the Paris Agreement.
12. “Paris Agreement” means the legally binding international treaty on climate change adopted by the United Nations Climate Change Conference (COP21) on December 12, 2015.
13. “Parliament” means Recipient’s National Assembly.
14. “Program” means the program of objectives, policies, and actions set forth or referred to in the letter dated November 17, 2023 from the Recipient to the Association declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program’s objectives.
15. “Public-Private Partnership (PPP) Bill” means the Recipient’s Public-Private Partnership Bill, 2023.
16. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.
17. “Single Withdrawal Tranche” means the amount of the Financing allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
18. “TAZAMA Pipeline” means a 1,710 kilometers long pipeline transporting diesel from the port of Dar-es-Salaam in Tanzania to the Recipient’s city of Ndola.
19. “TAZAMA Pipeline Open Access Guidelines for Transportation of Low Sulphur Gasoil” means the Recipient’s TAZAMA Pipeline Open Access Guidelines for Transportation of Low Sulphur Gasoil developed pursuant to the Recipient’s Energy Regulations (General) Regulations, 2023, Statutory Instrument No. 41 of 2023.
20. “WTO Investment Facilitation for Development Agreement” means the World Trade Organization Multilateral Agreement on Investment Facilitation for Development entered into in July 2023.