June 11, 2014

Honorable Alexander B. Chikwanda, MP
Minister of Finance
Ministry of Finance
Lusaka, Zambia

Dear Honorable Chikwanda:

Re: Republic of Zambia: Preparation Grant for the Health Services Improvement Project MDTF HRI Grant No. TF017307

In response to the request for financial assistance made on behalf of REPUBLIC OF ZAMBIA ("Recipient") during Negotiations, I am pleased to inform you that the International Development Association ("World Bank"), acting as administrator of the Multi Donor Trust Fund for the Health Results Innovation Grant (MDTF HRI) (TF No. 070955), proposes to extend to the Recipient, a grant in an amount not to exceed eight hundred and fifty thousand United States Dollars (US $ 850,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in financing the activities described in the Annex ("Activities"). The objective of the Activities is to facilitate the preparation of a proposed project designed to improve health delivery systems and utilization of maternal, newborn and child health and nutrition services in project areas ("Project"), for carrying out of which the Recipient has requested the World Bank’s financial assistance.

This Grant is funded out of the above mentioned trust fund for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors under the above mentioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that: (a) it understands that the provision of the Advance does not constitute or imply any commitment on the part of IBRD or IDA to assist in financing the Project; and (b) it is authorized to enter into this Agreement and to carry out the Activities, and perform its other obligations under this Agreement, all in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the
Hon. Alexander B. Chikwanda, MP

countersignature; provided, however, that the offer of this Agreement shall be
deemed withdrawn if the World Bank has not received the countersigned copy of
this Agreement within ninety (90) days after the date of signature of this Agreement
by the World Bank, unless the World Bank shall have established a later date for
such purpose.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Kundhay Kadiresan
Country Director for Zambia
African Region

AGREED:

REPUBLIC OF ZAMBIA

By

Authorized Representative

Name: Hon. Alexander B. Chikwanda
Title: Minister of Finance
Date: 16/06/2014

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
(5) Guidelines on “Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011
ANNEX

Article I
Standard Conditions; Definitions


1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement and the following terms have the following meanings:

1. “Health Care Waste Management Plan” means the plan prepared and adopted by the Recipient, for the period 2010-2014 defining the set of mitigation, enhancement, monitoring, and institutional measures to be taken during implementation of the Project to eliminate any adverse environmental impacts of medical waste, offset them, reduce them to acceptable levels, or to enhance positive impacts of the Project activities, as such plan may be amended by the Recipient from time to time, with the prior written approval of the World Bank.

2. “Ministry of Community Development, Mother and Child Health” means the Recipient’s ministry responsible for matters relating to community development and mother and child health matters.

3. “Ministry of Health” means the Recipient’s ministry responsible for matters relating to health.

4. “Operating Costs” means the reasonable incremental expenses incurred by the Recipient and approved by the World Bank attributable to Project implementation, management, and monitoring, consisting of costs of the following: office supplies and consumables; communication; office rentals and utility costs; costs operation and maintenance of office vehicles; per diem and travel costs for Project staff; reasonable bank charges; allowances and salaries of contractual staff (but excluding the salaries of the Recipient’s civil servants).

5. “Training” means the reasonable costs of training under the Project, based on annual budgets approved by the World Bank, and attributable to seminars, workshops, study programs and tours, along with tuition, travel and subsistence allowances for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.

6. “United Nations Office for Procurement Services” or “UNOPS” means an agency of the United Nations established in 1974 to expand the capacity of the United Nations system and its partners to implement peace building, humanitarian and development operations that matter for people in need.
Article II
Execution of the Activities

2.01. Description of Activities. The Activities for which the Grant is provided are the following:

(a) Preparation of Project documents including a project implementation manual.
(b) Design and carrying out a pre-pilot of community results based approaches for the delivery of community level maternal, newborn and child health and nutrition services.
(c) Carrying out of Training and provision of equipment.
(d) Conduct workshops and rapid assessments
(e) Financing of Operating Costs associated with the Project.

2.02. Execution of the Activities Generally. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry the Activities through its Ministry of Health and Ministry of Community Development, Mother and Child Health in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 ("Anti-Corruption Guidelines"); (c) this Article II; and (d) the Health Care Waste Management Plan.

2.03. Monitoring, Reporting and Evaluation of the Activities. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions.

(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

2.04. Financial Management. (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.
2.05. **Procurement**

(a) **General.** All goods, non-consulting services, and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”), in the case of goods and non-consulting services;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods and Non-consulting Services**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts which are specified in the Procurement Plan: (A) National Competitive Bidding subject to the provisions of paragraph (iii) below of this Section 2.05 (c); (B) Shopping; (C) Direct Contracting; (D) Procurement from UNOPS; and (E) Community Participation procedures which have been found acceptable to the World Bank.

(iii) The procurement procedure to be followed for National Competitive Bidding (“NCB”) shall be the open bidding procedure set forth in the Public Procurement Act, 2008, Act. No.12 of 2008, as amended by the Public Procurement (Amendment) Act, 2011, Act No. 15 of 2011 (the “PPA”), and the Public Procurement Regulations, 2011, Statutory Instrument No. 63 of 2011 (the “Regulations”); provided, however, that such procedure shall be subject to the provisions of Section I and Paragraphs 3.3 and 3.4 of Section III, and Appendix 1 of the “Guidelines for Procurement of Goods, Works, and Non-Consulting Services
under IBRD Loans and IDA Credits & Grants by World Bank Borrowers” (January 2011) (the “Procurement Guidelines”), and the additional provisions in the following paragraphs:

(1) Eligibility: Eligibility to participate in a procurement process and to be awarded an World Bank-financed contract shall be as defined under Section I of the Procurement Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the World Bank for reasons other than those provided in Section I of the Procurement Guidelines. No restriction based on nationality of bidders and/or origin of goods shall apply, and foreign bidders shall be allowed to participate in NCB without application of restrictive conditions, such as, but not limited to, mandatory partnering or subcontracting with national entities.

(2) Domestic Preference: No margins of preference of any sort shall be applied in the bid evaluation.

(3) Bidding Documents: Procuring entities shall use bidding documents acceptable to the World Bank.

(4) Bid validity: An extension of bid validity, if justified by exceptional circumstances, may be requested in accordance with Appendix 1 of the Procurement Guidelines. A corresponding extension of any bid guarantee shall be required in all cases of extension of bid validity. A bidder may refuse a request for extension of bid validity without forfeiting its bid guarantee.

(5) Qualification: Qualification criteria shall be clearly specified in the bidding documents. All criteria so specified, and only such specified criteria, shall be used to determine whether a bidder is qualified. Qualification shall be assessed on a “pass or fail” basis, and merit points shall not be used. Such assessment shall be based entirely upon the bidder’s or prospective bidder’s capability and resources to effectively perform the contract, taking into account objective and measurable factors, including: (i) relevant general and specific experience, and satisfactory past performance and successful completion of similar contracts over a given period; (ii) financial position; and where relevant (ii) capability of construction and/or manufacturing facilities.

(6) Prequalification procedures and documents acceptable to the World Bank shall be used for large, complex and/or specialized works. Verification of the information upon which a bidder was prequalified, including current commitments, shall be carried out at the time of contract award, along with the bidder’s capability with respect to personnel and equipment. Where pre-qualification is not used, the qualification of the bidder who is recommended for award of contract shall be assessed by post-qualification, applying the qualification criteria stated in the bidding documents.

(7) Bid Evaluation: All bid evaluation criteria other than price shall be quantifiable in monetary terms. Merit points shall not be used, and no minimum point or percentage value shall be assigned to the evaluation criteria or significance of price in bid evaluation. No negotiations shall be permitted.
(8) Guarantees: Guarantees shall be in the format, shall have the period of validity and shall be submitted when and as specified in the bidding documents.

(9) Cost Estimates: Detailed cost estimates shall be confidential and shall not be disclosed to prospective bidders. No bids shall be rejected on the basis of comparison with the cost estimates without the World Bank's prior written concurrence.

(10) Rejection of bids and re-bidding: No bid shall be rejected solely because it falls outside of a predetermined price range or exceeds the estimated cost. All bids (or the sole bid if only one bid is received) shall not be rejected, the procurement process shall not be cancelled, and new bids shall not be solicited without the World Bank's prior written concurrence.

(11) Fraud and corruption: In accordance with the Procurement Guidelines, each bidding document and contract shall include provisions stating the World Bank's policy to sanction firms or individuals found to have engaged in fraud and corruption as set forth in the Procurement Guidelines.

(12) Inspection and audit rights: In accordance with the Procurement Guidelines, each bidding document and contract shall include provisions stating the Bank's policy with respect to inspection and audit of accounts, records and other documents relating to the submission of bids and contract performance.

d) Particular Methods of Procurement of Consultants' Services

(i) Except as otherwise provided in item (ii) below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Least Cost Selection; (C) Selection based on Consultants' Qualifications; (D) Single-source Selection of consulting firms; (E) Selection of Individual Consultants; and (F) Single-source procedures for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.
Article III
Withdrawal of Grant Proceeds

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may 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 World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, non-consulting services, consultants’ services, Training and Operating Costs</td>
<td>850,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>850,000</td>
<td></td>
</tr>
</tbody>
</table>

3.02. Withdrawal Conditions. Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.02. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2015.
Article IV
Recipient’s Representative; Addresses

4.01. Recipient’s Representative. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its minister responsible for finance.

4.02. Recipient’s Address. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Telex: 42221  Facsimile: (+260 211) 253494/251078

4.03. Association’s Address. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable: INDEVAS  Telex: 248423 (MCI) or 1-202-477-6391
Facsimile: Washington, D.C. 64145 (MCI)