OFFICIAL DOCUMENTS

CREDIT NUMBER 6106-ZM

Project Agreement

(Electricity Service Access Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

RURAL ELECTRIFICATION AUTHORITY

Dated MARCH 20, 2018
CREDIT NUMBER 6106-ZM

PROJECT AGREEMENT

AGREEMENT dated ______________, 2018, entered into between the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and the RURAL ELECTRIFICATION AUTHORITY ("Project Implementing Entity") ("Project Agreement") in connection with the Financing Agreement ("Financing Agreement") of same date between the REPUBLIC OF ZAMBIA ("Recipient") and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Financing 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 Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out [its Respective Part of] the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

3.01. For purposes of Section 8.05(c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity’s Representative is its Chief Executive Officer.
4.02. The Association’s Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

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

4.03. The Project Implementing Entity’s Address is:

Plot No. 5033
Longolongo Road
Post Net Box 349
Private Bag E891
Lusaka,
Republic of Zambia

Tel: +260 211 241296/8

Fax: +260 211 241301
AGREED at LUSAKA, ZAMBIA, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:

[Signature]

Authorized Representative

Name: M. MARLENE RUHEDERG

Title: COUNTRY MANAGER

RURAL ELECTRIFICATION AUTHORITY

By:

[Signature]

Authorized Representative

Name: PATRICK MUNJANJ

Title: ACTING CEO
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall duly perform all its obligations under the Subsidiary Agreement. Except as the Association shall otherwise agree, the Project Implementing Entity shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Agreement or any of its provisions.

2. To facilitate the carrying out of Part 1 of the Project, the Project Implementing Entity shall:

   (a) enter into an agreement with ZESCO (the Co-Executing Agreement), under terms and conditions acceptable to the Association, setting forth their respective roles and responsibilities with respect to the implementation of Part 1 of the Project; and

   (b) exercise its rights under the Co-Executing Agreement in such manner as to protect the interests of the Recipient, the Project Implementing Entity and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate or waive the Co-Executing Agreement or any of its provisions.

3. The Project Implementing Entity shall:

   (a) establish and thereafter maintain at all times throughout Project implementation a Project Implementing Unit (PIU-REA) with terms of reference, qualifications and experience satisfactory to the Association to be responsible for the coordination of all activities under the Project, comprised of a Project implementation team with terms of reference satisfactory to the Association that shall include qualified and experienced staff in adequate numbers (including staff with technical, environmental, procurement, accounting and monitoring and evaluation expertise), to be responsible for the day to day implementation of the Project;

   (b) cause ZESCO to establish and thereafter maintain at all times throughout Project implementation a Project Implementation Unit within ZESCO (PIU-ZESCO), with terms of reference, qualifications and experience satisfactory to the Association to be responsible for the coordination of the activities under Part 1 of the Project, which shall include qualified and
experienced staff in adequate numbers (including staff with technical, environmental, procurement, accounting and monitoring and evaluation expertise), to be responsible for the day to day implementation of said Part 1 of the Project; and

(c) not later than six months after the Effective Date, select, hire and retain a Project Management Consultant with qualifications and experience, and under terms of reference acceptable to the Association, for the purposes of providing implementation support to the PIU during the Project implementation, all in accordance with Section III of this Schedule and the specifications set forth in the POM.

B. Line of Credit

1. Prior to the provision of any Credit Line under Part 2(b)(ii) of the Project, the Project Implementing Entity shall:

   (a) make part of the proceeds of the Financing available to DBZ under a Subsidiary Agreement signed between the REA and DBZ, under terms and conditions acceptable to the Association and set forth in the DBZ Operational Manual including, inter alia, DBZ’s obligations to: (i) provide Credit Lines to Eligible Beneficiaries; and (ii) comply with the Anti-Corruption Guidelines and the safeguards provisions set forth in this Schedule;

   (b) ensure that, prior to the provision of a Credit Line to an Eligible Beneficiary DBZ enters into a Credit Line Agreement with said Eligible Beneficiary, under terms and conditions acceptable to the Association and set forth in the DBZ Operational Manual including, inter alia, the Eligible Beneficiary’s obligation to adhere to the Anti-Corruption Guidelines; and

   (c) notwithstanding the provisions of sub-paragraphs (a) and (b) above, the Project Implementing Entity shall, prior to the provision of any Credit Line under Part 2(b)(ii) of the Project, develop proposals detailing the Financial Products to be financed under said part of the Project and the process of providing such Credit Lines, including selection criteria for Eligible Beneficiaries; such proposals to be acceptable to the Association and to be included in the DBZ Operational Manual.

2. The Project Implementing Entity shall:

   (a) exercise its rights and carry out its obligations under the Subsidiary Agreement and each Credit Line Agreement in such a manner as to protect the interests of the Project Implementing Entity, the Recipient and the Association and to accomplish the purposes of the Financing. The Project
Implementing Entity shall not amend, suspend, terminate or waive any provision of the Subsidiary Agreement in such a manner so as to affect materially and adversely, in the opinion of the Association, the ability of the Project Implementing Entity to comply with its Project related obligations set forth in this Agreement; and

(b) ensure that DBZ exercises its rights and carries out its obligations under each Credit Line Agreement in such a manner as to protect the interests of DBZ, the Recipient, the Project Implementing Entity and the Association and to accomplish the purposes of the Financing. The Project Implementing Entity shall ensure that DBZ shall not amend, suspend, terminate or waive any provision of any Credit Line Agreement in such a manner so as to affect materially and adversely, in the opinion of the Association, the ability of DBZ and the Project Implementing Entity to comply with its Project related obligations set forth in this Agreement.

C. Operational Manuals

1. The Project Implementing Entity shall ensure that the following manuals/operational procedures, in form and substance satisfactory to the Association, are adopted and furnished to the Association for approval:

(a) a Project Operations Manual (POM), which shall include the rules, methods, guidelines, standard documents and procedures for the carrying out of the Project, including roles and responsibilities in the implementation of the Project, procedures to verify and certify On-grid Connections, the performance indicators for the Project, arrangements for monitoring and evaluation, procurement, safeguards, financial and accounting and such other arrangements and procedures as shall be required for the Project;

(b) an operational manual for the implementation of Part 2(b)(ii) of the Project (the DBZ Operational Manual), setting forth the operational and administrative procedures, responsibilities and rules for the implementation of said Part 2(b)(ii) of the Project, including details regarding the Financial Products to be financed under said Part of the Project, the process of providing Sub-loans, the selection criteria for Private Operators, and such other arrangements and procedures required for the implementation of said Part of the Project; and

(c) Operational Procedures for the OGESSP, to guide the implementation of the OGESSP and the provision of Partial Grant Subsidies, including types and levels of subsidies to be provided, operational procedures for the OGESSP and selection criteria for Private Operators.
2. Except as the Association shall otherwise agree in writing, the Project Implementing Entity shall not amend or waive, or permit to be amended or waived any provision of the POM, the DBZ Operational Manual or the Operational Procedures of the OGEESP. In case of conflict between the provisions of the POM, the DBZ Operational Manual and/or the Operational Procedures of the OGEESP, as the case may be, and this Agreement or the Financing Agreement, those of this Agreement and those of the Financing Agreement shall prevail.

D. Partial Grant Subsidies

1. The Project Implementing Entity shall carry out Part 2(a)(ii) of the Project in accordance with the requirements set forth in the POM and the Operational Procedures for the OGEESP, which includes eligibility criteria, selection procedures and implementation conditions.

2. The Project Implementing Entity shall provide financing, on a grant basis, to Private Operators pursuant to a standard agreement, in a format and substance acceptable to the Association, to be entered into between the Project Implementing Entity and a Private Operator (the Partial Grant Subsidy Agreement). Such agreement shall include, *inter alia*:

(a) the amount to be provided to the Private Operator under a Partial Grant Subsidy Agreement, its terms and conditions and a disbursement schedule;

(b) an amount of co-financing provided by the Private Operator and/or evaluation of in-kind contribution to the activity co-financed by the Partial Grant Subsidy, as defined in the Operational Procedures for the OGEESP;

(c) the obligation of the Private Operator to procure services to be financed under the Partial Grant Subsidy Agreement in accordance with the procedures set forth in the Operational Procedures for the OGEESP;

(d) the obligation of the Private Operator to carry out its activities in compliance with the Anti-Corruption Guidelines, and, when applicable, prepare the applicable Safeguards Documents in form and substance satisfactory to the Association, and thereafter implement said activities in accordance with the relevant Safeguards Document.

(e) the obligation of the Private Operator to report to the Project Implementation Entity on the progress of the implementation of the activity co-financed by the Partial Grant Subsidy and to enable the Project Implementation Entity and the Association, if the Association shall so request, to visit the facilities where the co-financed activities are implemented and administered;
(f) the obligation of the Private Operator to maintain records and accounts for expenditures incurred and financed from the proceeds of the Partial Grant Subsidy made available to the Private Operator under the Partial Grant Subsidy Agreement as established in the Operational Procedures for the OGESSP, and

(g) the right of the Project Implementing Entity to suspend, cancel or request a refund of the Partial Grant Subsidy or a portion thereof in case of the failure of the Private Operator to perform any of its obligations under the Partial Grant Subsidy Agreement.

4. Prior to the provision of the first two Partial Grant Subsidies, the Project Implementing Entity shall obtain the Association’s approval of the selection of the respective Private Operator.

E. Independent Verification of On-grid Connections under Part 1(a) of the Project

For purposes of carrying out Part 1(a) of the Project, the Project Implementing Entity shall:

1. no later than one hundred twenty (120) days after the Effective Date, select, hire and retain an Independent Verification Entity with qualifications and experience, and under terms of reference acceptable to the Association, in accordance with Section III of this Schedule;

2. cause the Independent Verification Entity to: (a) carry out a periodic technical verification of the number of On-grid Connections successfully completed; and (b) (i) prepare Independent Verification Reports covering a period of one calendar quarter, of such scope and detail as set forth in the POM, and (ii) furnish each Independent Verification Report to the Project Implementing Entity, no later than forty-five (45) days after the end of each calendar quarter; and

3. no later than thirty (30) days after the receipt of each Independent Verification Report, forward to the Association each said report.
F. Anti-Corruption

The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

G. Safeguards

The Project Implementation Entity shall carry out the Project in accordance with the provisions of Section I.E. of Schedule 2 to the Financing Agreement.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Project Implementing Entity 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 acceptable to the Association and included in the POM. Each such Project Report shall cover the period of one calendar quarter, and shall be furnished to the Recipient not later two weeks after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to its Respective Part of the Project.

2. The Project Implementing Entity shall, and shall cause ZESCO to have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Recipient and the Association not later than six months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

Section III. Procurement

All goods, works and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.