Financing Agreement

(Lusaka Transmission and Distribution Rehabilitation Project)

between

REPUBLIC OF ZAMBIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 3, 2013
FINANCING AGREEMENT

AGREEMENT dated October 3, 2013, entered into between REPUBLIC OF ZAMBIA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to seventy million, one hundred thousand Special Drawing Rights (SDR 70,100,000) (variously, "Credit" and "Financing") to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are May 15 and November 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is dollars.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall cause the Project to be carried out by the Project
Implementing Entity in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following, namely, that the Project Implementing Entity’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.


4.03. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

   (a) The Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.

   (b) The Project Implementing Entity has adopted the Project Implementation Manual in accordance with the provisions of Section 1.B of the Schedule 2 to this Agreement.

   (c) The Recipient has established a Project Steering Committee and a Project Implementation Unit in accordance with the provisions of Section 1.A of Schedule 2 to this Agreement.

5.02. The Additional Legal Matter consists of the following, namely that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.

5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
5.04. For purposes of Section 8.05 (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 date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. Except as provided in Section 2.02 of this Agreement, the Recipient’s Representative is its minister for finance.

6.02. The Recipient’s Address is:

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

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

6.03. The Association’s Address is:

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

Cable: INDEVAS  Telex: 248423 (MCI)  Facsimile: 1-202-477-6391
Washington, D.C.
AGREED at Lusaka, Zambia as of the day and year first above written.

REPUBLIC OF ZAMBIA

By

[Signature]

Authorized Representative

Name: ALEXANDER B. CHIKWANDA

Title: MINISTER

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: KUNDHAVI KADIRESAN

Title: COUNTRY DIRECTOR
SCHEDULE 1

Project Description

The objectives of the Project are to increase the capacity and improve the reliability of the electricity transmission and distribution system in the Lusaka area.

The Project consists of the following parts:

**Part A: Rehabilitation of the 132kV and 88kV Transmission Network in Lusaka Area**

1. Upgrading the Water Works- Leopard’s Hill transmission line and construction of the Waterworks substation.

2. Upgrading the Leopard’s Hill - Roma transmission line and cables including construction of substation at Roma.

3. Upgrading the Lusaka West - Roma transmission line including construction of substation at Avondale and upgrading of the Dublin substation.

4. Upgrading the Lusaka West - Coventry transmission line including construction of a substation at Industrial.

5. Replacement of 11kV switchgear at various agreed locations

**Part B: Rehabilitation of the 33kV and 11kV Distribution Network in Lusaka Area**

1. Construction of the Bauleni - Chawama distribution lines and cables including construction of substations at Bauleni and Chawama.

2. Upgrading the Lusaka West - Chawama distribution lines and cables including the construction and rehabilitation of substations at Chilanga, Jimmie and Woodlands.

3. Construction of the Avondale-Ibex distribution line including construction of a substation and a switching station at Ibex.

4. Upgrading of the Lusaka West transformers and construction of distribution lines between Industrial- Mungwi Road and Mungwi Road - Matero substations.

5. Construction and upgrading of various agreed lines and cables.
Part C: Technical Assistance and Project Management

1. Provision of engineering, design and Project implementation supervision services.

2. Provision of technical assistance to the Project Implementing Entity for the development of new energy infrastructure projects.

3. Carrying out of relevant Training and studies and preparation of energy policies and regulations.

4. Provision of vehicles, goods and equipment and financing of Operating Costs for the Project Implementation Unit.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

Project Implementing Entity

1. Recipient shall maintain throughout Project implementation the Project Implementing Entity with institutional structure, functions and powers, and resources adequate to carry out its responsibilities under the Project.

2. The Project Implementing Entity shall be responsible for the overall implementation of the Project.

Project Steering Committee

3. The Recipient shall cause the Project Implementing Entity to establish, and thereafter maintain, throughout project implementation, a Project Steering Committee under the chairmanship of its managing director, with terms of reference satisfactory to the Association and with adequate resources to carry out its functions.

4. The functions of the Project Steering Committee (PSC) shall be to: (i) facilitate overall coordination of the Project; (ii) approve Project annual work plans and budgets; and (iii) provide overall policy and strategic guidance on the Project. The PSC shall meet as needed to discharge its functions.

Project Implementation Unit

5. The Recipient shall cause the Project Implementing Entity to: (a) designate and thereafter maintain throughout project implementation, a Project Implementation Unit (PIU) comprising a dedicated project manager, a project financial management specialist, a project procurement specialist, a cost and scheduling control engineer, site manager, social and environmental coordinator, protection engineer, civil engineer, lines engineer, substation engineer and such other staff as may be agreed with the Association, all with qualifications and experience and terms of reference satisfactory to the Association; and (b) ensure that the PIU has adequate resources to carry out its responsibilities under the Project.

6. The Recipient may cause the Project Implementing Entity to appoint, and subject in each case to the concurrence of the Association, such other technical specialists as may be needed to support the PIU in its work, said technical specialists with qualifications and experience satisfactory to the Association.
7. Without limitation on the foregoing, the PIU shall be responsible for the day-to-day implementation of the Project.

B. Implementation Arrangements

Project Implementation Manual

1. The Recipient shall: (a) (i) ensure and cause the Project Implementing Entity to prepare, under terms of reference satisfactory to the Association, and furnish to the Association a Project implementation manual containing detailed guidelines and procedures for the implementation of the Project, including in the areas of monitoring and evaluation, procurement, coordination, social and environmental safeguards, financial, administrative and accounting procedures, corruption and fraud mitigation measures and such other arrangements and procedures as shall be required for the Project; and (ii) ensure, and cause the Project Implementing Entity to thereafter adopt and carry out the Project in accordance with such Project implementation manual as shall have been approved by the Association (Project Implementation Manual); and (b) ensure that, except as the Association shall otherwise agree in writing, not amend or waive, or permit to be amended or waived, any provision of the Project Implementation Manual.

2. In case of a conflict between the provisions of the Project Implementation Manual and this Agreement, those of this Agreement shall prevail.

Annual Work Plans and Budget

3. The Recipient shall ensure and cause the Project Implementing Entity, not later than December 15 of each year, to prepare and furnish to the Association, an annual program of activities proposed for implementation under the Project during the following Fiscal Year, together with a proposed budget for the purpose.

4. The Recipient shall ensure, and cause the Project Implementing Entity to exchange views with the Association on each such proposed annual work plan, and shall thereafter ensure and cause the Project Implementing Entity to adopt, and carry out such program of activities for such following Fiscal Year as shall have been agreed with the Association, as such plan may be subsequently revised during such following Fiscal Year with the prior written agreement of the Association (Agreed Annual Work Plan).

C. Subsidiary Agreement

1. To facilitate the carrying out of Part A and C of the Project (respective part of the Project), the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity under a subsidiary agreement between the Recipient
and the Project Implementing Entity, under terms and conditions approved by the Association ("Subsidiary Agreement") which shall include the obligation of the Project Implementing Entity to:

(a) repay: (i) the principal amount of the Credit made available under the Subsidiary Agreement ("Subsidiary Credit") in Kwacha over a period agreed with the Recipient and the Project Implementing Entity; and (ii) interest on the principal amount withdrawn and outstanding from time to time at a rate agreed between the Recipient and the Project Implementing Entity;

(b) carry out the respective part of the Project with due diligence and efficiency and in conformity with appropriate administrative, technical, financial, economic, environmental and social standards and practices, including the provisions of the Anti-Corruption Guidelines and in accordance with the provisions of this Agreement;

(c) (i) procure all goods and services required for its respective part of the Project and to be financed out of the proceeds of the Financing in accordance with the provisions of Section III of this Schedule; and (ii) ensure that all such goods and services are used exclusively for the purposes of the respective part of Project;

(d) ensure that all facilities relevant to its respective part of the Project shall at all times be properly operated and maintained and that all necessary repairs and renewals of such facilities shall be made promptly as needed;

(e) with respect to records management: (i) maintain records adequate to record the progress of its respective part of the Project (including its cost and the benefits to be derived from it), to identify the goods and services financed out of the proceeds of the Financing and disclose their use in the Project; (ii) furnish such records and information as may be requested by the Recipient or the Association; and (iii) retain all records evidencing expenditures under its respective part of the Project for the period of time specified in the General Conditions;

(f) with respect to monitoring and evaluation: (i) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Recipient and the Association, the progress of its respective part of the Project and the achievement of its objective; (ii) prepare periodic reports, in form and substance satisfactory to the Recipient and Association, integrating the results of such monitoring and evaluation activities and setting out measures recommended to ensure the continued efficient and effective execution of its respective part of the Project, and to achieve its
objective, each such report to cover a calendar quarter; (iii) furnish each such report to the Recipient and the Association within forty five (45) days after the end of such period; and (iv) prepare, and furnish to the Recipient a final report, of such scope and in such detail as the Recipient and the Association shall reasonably request, on the execution of its respective part of the Project, and furnish the same to the Recipient and the Association within not later than (6) months after the end of the Project;

(g) with respect to financial management: (i) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Recipient and the Association, both in a manner adequate to reflect its operations and financial condition, including the operations, resources and expenditures related to its respective part of the Project; (ii) avail the records pertaining to the Project to external and internal auditors; (iii) prepare as part of the Project Report, interim unaudited financial reports covering each quarter, and furnish them to the Recipient and the Association not later than forty five (45) days after the end of the period covered by such reports, and provide such other information concerning such unaudited financial statements as the Recipient or the Association may from time to time reasonably request; and (iv) have its financial statements audited by independent auditors and applying standards both acceptable to the Association at least once in each fiscal year;

(h) open and maintain a dedicated Project Account, until the completion of the Project, in a commercial bank on terms and conditions acceptable to the Association; and ensure that the funds deposited into the Project Account shall be used exclusively to finance the cost of expenditures related to the Project;

(i) for purposes of financing its respective share of the cost of Part A of the Project: (a) (i) maintain at all times during Project implementation, in local currency, in a commercial bank acceptable to the Association, a separate account under terms and conditions acceptable to the Association, ("Counterpart Fund Account") into which it shall deposit, not later than the beginning of each quarter, funds in amounts necessary to meet the cost of its respective share of the cost of the Project for the quarter; and (ii) deposit into the Counterpart Fund Account, not later than 30 days after the Effective Date of this Agreement, an initial advance, corresponding to its respective share of the cost of the Project for the first quarter, and thereafter replenish the Counterpart Fund Account not later than the first day of each quarter, with such amounts as shall be sufficient to cover the cost of its respective share of the cost of the Project during the said quarter, taking into account the balance of
funds in the account and projected expenditures; and (b) ensure that funds
deposited into the Counterpart Fund Account shall be used exclusively to
finance its respective share of the cost of the Project.

2. The Recipient shall exercise its rights under the Subsidiary Agreement in such
manner as to protect the interests of the Recipient and the Association and to
accomplish the purposes of the Financing. Except as the Association shall
otherwise agree, the Recipient shall not assign, amend, abrogate or waive the
Subsidiary Agreement or any of its provisions.

D. Anti-Corruption

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

E. Safeguards.

1. The Recipient shall ensure that:

(a) the Project Implementing Entity carries out Part A and C of the Project in
accordance with the provisions of the ESIA, the RPF, any ESMPs and/or
RAPs; and

(b) (i) all terms of reference for all studies or other technical assistance to be
carried out under the Project are consistent with and pay due attention to
the ESIA, the RPF, any applicable ESMPs and/or RAPs and to the
Recipient’s own laws relating to the environment and social aspects; and
(ii) the Project Implementing Entity, prior to undertaking any study
financed under the Project: (1) prepares and furnishes the terms of
reference for such study to the Association for its review; (2) affords the
Association a reasonable opportunity to exchange views with the Project
Implementing Entity on said terms of reference; and (3) promptly
finalizes such terms of reference as shall have been approved by the
Association.

2. Without limitation upon its other reporting obligations under Section II.A of this
Schedule 2, the Recipient shall cause the Project Implementing Entity to
regularly collect, compile, and submit to the Association, on a quarterly basis,
reports on the status of compliance and implementation of the ESIA, the RPF,
any ESMPs and/or RAPs.
Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall ensure and cause the Project Implementing Entity to 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 the indicators acceptable to the Association and set out in the Project Implementation Manual. Each Project Report shall cover the period of one quarter and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall ensure and cause the Project Implementing Entity to maintain a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall ensure and cause the Project Implementing Entity to prepare and furnish to the Association as part of the Project Report, not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall ensure and cause the Project Implementing Entity to have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period and a Management Letter shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants' Services. All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association 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.

B. **Particular Methods of Procurement of Goods, Works and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding <em>(subject to the additional provisions set out in paragraph 3 below)</em></td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Procurement from UNOPS</td>
</tr>
<tr>
<td>(d) Direct Contracting</td>
</tr>
</tbody>
</table>

3. **Additional Provisions and Modifications to National Competitive Bidding**

The procurement procedure to be followed for National Competitive Bidding ("NCB") shall be the open international 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 I 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:

(a) Eligibility: Eligibility to participate in a procurement process and to be awarded an Association-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 Association 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.

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

(c) Bidding Documents: Procuring entities shall use bidding documents acceptable to the Association.

(d) 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.

(e) 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.

(f) Prequalification procedures and documents acceptable to the Association 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.

(g) 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.

(h) 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.

(i) 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 Association’s prior written concurrence.

(j) 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 Association’s prior written concurrence.

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

(l) 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.

C. Particular Methods of Procurement of Consultants’ Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works. The Procurement Plan shall specify the circumstances under which such methods may be used:


<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality-based Selection</td>
</tr>
<tr>
<td>(b) Least Cost Selection</td>
</tr>
<tr>
<td>(c) Selection based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(d) Single-source Selection of consulting firms</td>
</tr>
<tr>
<td>(e) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(f) Single-source procedures for the Selection of Individual Consultants</td>
</tr>
</tbody>
</table>

D. **Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. **Withdrawal of the Proceeds of the Financing**

A. **General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall 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 Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing 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 Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, and consultants’ services under Part A of the Project</td>
<td>63,400,000</td>
<td>90%</td>
</tr>
<tr>
<td>(2) Goods, vehicles, non-consulting services, consultants’ services, Training and Operating Costs under Part C of the Project</td>
<td>6,700,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>70,100,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement except that withdrawals up to an aggregate amount not to exceed SDR 6,700,000 equivalent may be made for payments made prior to this date but on or after February 28, 2013 for Eligible Expenditures under Category 1 and 2.

2. The Closing Date is February 28, 2019.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each November 15 and May 15:</td>
<td></td>
</tr>
<tr>
<td>commencing November 15, 2023 to and including May 15, 2033</td>
<td>1%</td>
</tr>
<tr>
<td>commencing November 15, 2033 to and including May 15, 2053</td>
<td>2%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.
APPENDIX

Section I. Definitions

1. “Agreed Annual Work Plan” means the program of activities agreed each Fiscal Year between the Recipient and the Association for implementation under the Project in accordance with Section 1.B.3 of Schedule 2 to this Agreement during the following Fiscal Year, as the same may be revised from time to time in accordance with said Section.


3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


5. “Co-financing” means, for purposes of paragraph 11 of the Appendix to the General Conditions, an amount of $65,000,000, to be provided by the Co-financier to assist in financing Part B of the Project.

6. “Co-financing Agreement” means the agreement to be entered into between the Recipient and the Co-financier providing for the Co-financing.


8. “Displaced Person” means any person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in his or her: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons.

9. “Environmental and Social Impact Assessment” or “ESIA” means the environmental and social impact assessment of the Recipient, dated February 2013 and acceptable to the Association, assessing the potential environmental and social impacts of the Project, evaluating alternatives, and designing appropriate mitigation, management, and monitoring measures; as the said Environmental and Social Impact Assessment may be amended and/or
supplemented from time to time with the prior written concurrence of the Association.

10. “ESMP” means an Environmental and Social management Plan, acceptable to the Association, prepared by the Recipient in accordance with the ESIA, describing the set of mitigation, enhancement, monitoring, and institutional measures to be taken during implementation of the Project to mitigate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, or to enhance positive impacts; as the said Environmental and Social Impact Assessment may be amended and/or supplemented from time to time with the prior written concurrence of the Association.

11. “Fiscal Year” means each fiscal year of the Recipient commencing on January 1 and ending on December 30 of the subsequent year.


14. “Kwacha” and “ZMW” mean the currency which is legal tender in the territory of the Recipient.

15. “Management Letter” means, in respect of each of the audited Financial Statements of the Recipient, a letter issued by the external auditors as part of the annual audit report setting forth internal control weaknesses identified during the audit period.

16. “Memorandum and Articles of Association” means the memorandum of association of a company and the articles of association of a company as originally framed or as altered by the company from time to time, and which comprise the constitutive documents for incorporation and or registration of a company.

17. “Ministry of Finance” means the Recipient’s ministry responsible for matters relating to finance.

18. “Ministry of Mines, Energy and Water Development” or “MMEWD” means the Recipient’s ministry responsible for matters relating to mines, energy, and water resources management and development.

19. “Operating Costs” means the reasonable incremental expenses incurred by the Recipient and approved by the Association 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).


21. “Procurement Plan” means the Project Implementing Entity’s procurement plan for the Project, dated April 9, 2013 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

22. “Project Implementing Entity” means the ZESCO Limited.

23. “Project Implementing Entity’s Legislation” means the Recipient’s Companies Act, Chapter 388 (as the same may be amended from time to time) under which ZESCO Limited is incorporated including its Memorandum and Articles of Association (as herein defined).

24. “Project Implementation Manual” means the Project Implementation Manual in form and substance acceptable to the Association prepared by the Recipient in accordance with the provisions of Section 1.B of Schedule 2 to this Agreement, as the same may be amended in accordance with the provisions of said Section.

25. “Project Implementation Unit” means a unit within the Project Implementing Entity established for the Project and referred to in Section 1.A of Schedule 2 to this Agreement.

26. “Project Steering Committee” or “PSC” means a committee established for purposes of the Project and referred to in Section 1.A of Schedule 2 to this Agreement comprising the managing director of the Project Implementing Entity, directors of transmission, distribution and customer services, and finance at the Project Implementing Entity, director for energy at the MMEWD and two directors from the Ministry of Finance.

27. “RAP” means the resettlement action plan, in form and substance satisfactory to the Association, prepared or to be prepared by the Recipient on the basis of the RPF, and giving details of the specific actions, measures and policies designed to facilitate the achievement of the objectives of the RPF, along with the procedural and institutional measures needed to implement such actions, measures and policies, as such RAP may be amended from time to time with the prior written agreement of the Association.
28. "RPF" means the Resettlement Policy Framework acceptable to the Association, dated March 19, 2013, adopted by the Recipient, and giving details of provisions for compensation, rehabilitation and resettlement assistance to Displaced Persons, as such RPF may be amended from time to time with the prior written agreement of the Association.

29. "Subsidiary Agreement" means the agreement referred to in Section I.C of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity.

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

31. "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.

32. "ZESCO Limited" means a wholly government owned power utility company incorporated under the Companies Act, Chapter 388 of the Laws of the Recipient (as the same may be amended from time to time), and responsible for generation, transmission, distribution and supply of electricity in the Recipient's territory, or the legal successor thereto.