April 19, 2012

Honorable Alexander Bwalya Chikwanda, MP
Minister of Finance and National Planning
P.O. Box 50062
Lusaka, Zambia

Re: Republic of Zambia: Pilot Program for Climate Resilience (PPCR) Grant No.TFO11075
Preparation of the: (i) Zambia: Strengthening Climate Resilience Project (Phase II) and (ii) Strengthening Climate Resilience in the Kafue Basin Project

Excellency:

In response to the request for financial assistance made on behalf of the Republic of Zambia ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), acting as administrator of grant funds provided by various donors ("Donors") under the Pilot Program for Climate Resilience (PPCR) Trust Fund, proposes to extend to the Recipient a grant in an amount not to exceed two million United States Dollars (U.S. $2,000,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the activities described in the Annex ("Activities").

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 abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The award of the Grant does not constitute or imply any commitment on the part of the World Bank to assist in the financing of any project which may result from the Activities financed by the Grant.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Activities 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 countersignature.

Very truly yours,
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By
Kundhavi Kadiresan
Country Director
Zambia, Malawi and Zimbabwe
Africa Region

AGREED:
REPUBLIC OF ZAMBIA

By
Authorized Representative
Name ALEXANDER B. CHIKWANDA
Title MINISTER OF FINANCE
Date: 19TH APRIL 2012

Enclosures:

✓ (2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 ("Standard Conditions") constitute an integral part of this Agreement.

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, including in the Appendix to this Agreement; provided that for the purposes of this Agreement the term "Project", whenever used in the Standard Conditions, shall mean the Activities referred to in Section 2.01 of this Annex.

Article II
Execution of the Activities

2.01. **Objectives and Description of the Activities.**
(a) The objective of the Activities is to facilitate the preparation of the following projects:
(i) Zambia Strengthening Climate Resilience Project (Phase II), for the carrying out of which the Recipient has requested the World Bank's financial assistance; and (2) the Strengthening Climate Resilience in the Kafue River Basin project, for the carrying out of which the Recipient has requested the Africa Development Bank's financial assistance (collectively, the "Projects").

(b) The Activities for which the Grant is provided consist of the following parts exclusively (and do not include actual implementation of the Projects referred to in section 2.01 (a) above):

(i) carrying out a detailed assessment and design study of the targeted areas proposed for rehabilitation and strengthened management under the Projects;

(ii) carrying out detailed environmental and social impact assessments for the proposed Projects, including preparing specific safeguard documents for the Projects as such documents shall be identified from the environmental and social impact assessments;

(iii) providing expert technical advice to the design of the Projects;

(iv) developing the final Projects design documents, including implementation plans, operational manuals, timeframe, and detailed costing for the Projects;

(v) developing the monitoring framework for the Projects, including collecting the necessary baseline information; and

(vi) carrying out stakeholder consultations on the findings of the studies and final design for the Projects, undertaken under Parts (i), (ii), (iv) and (v) of the Activities.
The Activities do not encompass implementation, or lack thereof, of the activities envisaged under the Projects and nothing in this Agreement shall be construed to include any such implementation activities.

2.02. Execution of the Activities Generally.

(a) The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient shall carry out the Activities through its Ministry of Finance and National Planning 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”); and (c) this Article II.

(b) To ensure proper implementation of the Activities, the Recipient shall maintain throughout implementation of the Activities: (i) a national coordinator to be responsible for overseeing day to day implementation of the Activities; and (ii) a financial manager/accountant to be responsible for financial management of the Activities, both with qualifications, experience and terms of reference satisfactory to the World Bank.

(c) Annual Work Plans: (i) The Recipient shall, not later than December 1 in each calendar year, prepare and furnish to the World Bank a program of activities proposed for inclusion in the Activities during the following calendar year.

(ii) The Recipient shall exchange views with the World Bank on each such proposed annual work program, and shall thereafter take all measures required on its part to enable the Recipient to carry out such program of activities during such following year as shall have been approved by the World Bank (“Annual Work Plan”).

(iii) Only those activities which are included in an Annual Work Plan shall be included in the Activities and eligible for financing out of the proceeds of the Grant.

2.03. Specific Implementation Covenants

(a) Specific Environmental and Social Covenant for the Activities

The Recipient shall ensure that the terms of reference, for any consultancy in respect of the Activities, shall be satisfactory to the World Bank and the African Development Bank following such Banks’ review thereof and, to this end, such terms of reference shall require that each deliverable from any such consultancy shall (a) duly reflect and comply with each of the World Bank Safeguard Policies and the Africa Development Bank Safeguard Policies then in force and (b) where such policies differ, the applicable provision of such deliverable will duly reflect two alternatives, namely, (i) one alternative that shall be compliant with the requirements of the World Bank Safeguard Policies then in force and (ii) one alternative that shall be compliant with the requirements of the African Development Bank Safeguard Policies then in force.

(b) Cooperation with Representatives of the African Development Bank. Notwithstanding the provisions of Sections 2.06, 2.08 and 2.09 of the Standard Conditions, the Recipient shall enable the representatives of the African Development Bank to: (a) jointly, with the World Bank, review terms of reference of consultants to be hired pursuant to Section 2.07 of this Annex to the

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Agreement; (b) jointly, with the World Bank, participate in the monitoring of the training and workshops and of the implementation of the Activities; and (c) visit any part of the Recipient’s territory for purposes related to the Activities.

2.04. **Donor Visibility and Visit.** (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Activities.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, enable the representatives of the Donors to visit any part of the Recipient’s territory for purposes related to the Activities.

2.05. **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 and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar year, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

2.06. **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 Activities are prepared and furnished to the World Bank not later than 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 audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal was made under the Grant. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

2.07. **Procurement**

(a) **General.** All goods, non-consulting services and consultants’ services required for the Activities 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 Activities 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 specified in the Procurement Plan: (A) National Competitive Bidding, subject to the following additional provisions: (1) bidding shall be open to all bidders, and foreign bidders shall not be obligated to partner with local bidders in order to qualify to participate in the bidding process; and (2) no margins of preference of any sort shall be applied in the bidding process under National Competitive Bidding; (B) Shopping; (C) procurement under Framework Agreements in accordance with procedures which have been found acceptable to the World Bank; and (D) Direct Contracting;

(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 may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants' Qualifications; (E) Single-source Selection of consulting firms; (F) Selection of Individual Consultants; and (G) 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>(1) Consultants’ services</td>
<td>1,800,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, Training and Workshops, and Incremental Operating Costs</td>
<td>200,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>2,000,000</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.

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2014.

Article IV
Additional Remedies

4.01. Additional Events of Suspension. The Additional Events of Suspension referred to in Section 4.02 (k) of the Standard Conditions consist of the following:

(a) The World Bank has decided, at any time after consultation with the Recipient, to withdraw its financial support for the Zambia Strengthening Climate Resilience Project (Phase II) Project.
(b) The Recipient has withdrawn its request for financial assistance from the World Bank for the Zambia Strengthening Climate Resilience Project (Phase II) Project.

Article VI
Recipient's Representative; Addresses

6.01. **Recipient's Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Minister at the time responsible for Finance.

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

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

Phone: 260 211 250874  
Facsimile: 260-211-255-185

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

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

Cable: INTBAFRAD
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391

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APPENDIX: Definitions

(1) “African Development Bank Safeguard Policies” means the operational policies and procedures of the African Development Bank as revised from time to time.

(2) “Incremental Operating Costs” means incremental recurrent expenditures incurred on account of the implementation of the Activities including office supplies and consumables, fuel and maintenance of vehicles, maintenance of equipment, utilities, telephone and other communications charges, office rent, insurance for vehicles, motorcycles and office equipment and furniture, bank and services fees, printing and communication materials, and travel and subsistence costs, but excluding salaries of officials of the Recipient’s civil service.

(3) “Training and Workshops” means the reasonable costs of training for the Activities attributable to seminars, and study tours, along with travel and subsistence allowances for training participants, services of trainers and workshop facilitators, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, training fees, and other costs directly related to course and workshop preparation and implementation.