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

Re: Republic of Zambia: Advance Agreement for the  
Preparation of the Proposed Zambia Project under  
the Agricultural Productivity Program for Southern  
Africa  
Project Preparation Advance No. Q827  

Honorable Minister:

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 Development Association ("World Bank") proposes to extend to the Recipient an advance out of the World Bank’s Project Preparation Facility in an amount not to exceed one million ninety-seven thousand Dollars ($1,097,000) ("Advance") 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 Section 2.01 of the Annex ("Activities") hereeto. The objective of the Activities is to facilitate the preparation of a proposed project designed: (i) to enhance regional specialization in agricultural research; (ii) to enhance regional collaboration in agricultural training and dissemination; and (iii) to facilitate increased sharing of agricultural information, knowledge and technology across boundaries of the Recipient, the Republic of Malawi and the Republic of Mozambique (collectively, the "Participating Countries") ("Project"), for the carrying out of which the Recipient has requested the World Bank’s financial assistance.

The Recipient represents, by confirming its agreement below, that: (i) it understands that the provision of the Advance does not constitute or imply any commitment on the part of the IBRD or IDA to assist in financing the Project; and (ii) it is authorized to enter into this Agreement and to carry out the Activities, repay the Advance and perform its other obligations under this Agreement, all in accordance with the provisions of 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effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received this countersigned copy within ninety (90) days after the date of signature of this Agreement by the World Bank, unless the World Bank has established a later date for such purpose.

Very truly yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION

By
Kunchavi Kadresan
Country Director for Zambia, Malawi and Zimbabwe
Africa Region

AGREED:
REPUBLIC OF ZAMBIA

By: 
Authorized Representative
Name: ALEXANDER BWALYA CHIWANDA (MON.)
Title: MINISTER
Date: 20th SEPTEMBER 2012

Enclosures:

(1) “Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility”, dated July 31, 2010
(2) Disbursement Letter for the Advance 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
Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions (as defined in Section 1.02 below) 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, and the following additional terms shall have the following meanings:


(c) “MAL” means the Recipient’s ministry in charge of agriculture and livestock, and any successor thereto.

(d) “Operating Costs” means the expenditures incurred to finance the reasonable cost of incremental operating expenses incurred on account of the coordination, implementation, and monitoring and evaluation of the Activities, including consumables, stationary, communication costs, travel allowances, office rental charges; fuel and vehicle maintenance costs, and meeting expenses, but excluding salaries of the Recipient’s civil servants.


(f) “Procurement Plan” means the Recipient’s procurement plan for the Activities, dated July 16, 2012 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.

(g) “Regional Center of Research Leadership” means any of the agricultural research centers in the territory of the Recipient which are selected to take part in a regional program in sorghum research and includes related programs located in other agricultural research centers.

(h) “Southern African Development Community” or “SADC” means the international organization created pursuant to the Declaration and Treaty of SADC dated
April 1, 1980, and established by the countries of the Southern African region (including: the Recipient, the People’s Republic of Angola, the Republic of Botswana, the Democratic Republic of Congo, the Kingdom of Lesotho, the Republic of Malawi, the Republic of Mauritius, the Republic of Mozambique, the Republic of Namibia, the Republic of Seychelles, the Republic of South Africa, the Kingdom of Swaziland, the United Republic of Tanzania and Republic of Zimbabwe) to achieve, inter alia, development and economic growth for their people.


(j) “Training” means the expenditures incurred to finance the reasonable cost associated with training and workshop participation under the Activities, encompassing travel and subsistence costs for training participants, costs (other than consulting services) associated with securing the services of trainers and presenters, rental of training facilities, translation and interpretation services, and preparation and reproduction of training materials.

(k) “Zambia Agricultural Research Institute” or “ZARI” means a department within the MAL in charge of the implementation of the Project.

Article II
Execution of the Activities

2.01. Description of the Activities. The Activities for which the Advance is provided consist of the following parts:

(a) Carrying out of a technical assistance program aimed: (i) to assess the feasibility of the infrastructure and equipment investments proposed for financing under the Project pursuant to the commodity methodology applied by the relevant Regional Center of Research Leadership; (ii) to initiate the monitoring and evaluation baseline data collection of maize, rice and sorghum technologies; (iii) to finalize the Project’s safeguard assessments; and (iv) to prepare the Project’s implementation manual.

(b) Organization and delivery of: (i) meetings in the SADC region to discuss the Project’s activities with the Republic of Malawi and the Republic of Mozambique; (ii) local meetings and workshops with MAL officials, researchers, members of the private sector, farmers and development partners for consultation on the Project’s preparation; and (iii) financial management and procurement training for the Recipient’s and the Zambia Agricultural Research Institute.

(c) Carrying out of limited initial implementation activities of the Project encompassing the rehabilitation of the existing office space within ZARI and the acquisition of vehicles and laboratory and office equipment as required for the purpose.
2.02. *Execution of the Activities Generally.* The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient shall carry out the Activities through the MAL in accordance with the provisions of: (i) Article II of the Standard Conditions; (ii) this Article II; and (iii) the Anti-Corruption Guidelines.

2.03. *Monitoring, Reporting and Evaluation of the Activities.* The Recipient shall monitor and evaluate the progress of the Activities in accordance with the provisions of Section 2.08 of the Standard Conditions.

2.04. *Financial Management.* (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.09 of the Standard Conditions.

(b) The Recipient shall ensure that interim un-audited financial reports for the Activities 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 Sections 2.09 (b) of the Standard Conditions.

(i) If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, the Recipient shall have the Financial Statements included in the first audit of financial statements required under the Refinancing Agreement.

(ii) If, by the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, such audit of the Financial Statements shall cover the period of the Advance, commencing with the fiscal year in which the first withdrawal under the Advance was made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of the Recipient's fiscal year in which the Refinancing Date occurs.

(iii) Notwithstanding the provisions of paragraphs (i) and (ii) of this Section, the World Bank may request an audit of the Financial Statements prior to the Refinancing Date, covering such period as is indicated in its request. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of such period.

2.05. *Procurement*

(a) General. All goods, works and consultants' services required for the Activities and to be financed out of the proceeds of the Advance shall be procured in accordance with the requirements set forth or referred to in:
Section I of the Procurement Guidelines, in the case of goods and works;

Sections I and IV of the Consultant Guidelines, in the case of consultants' services; and

the provisions of this Section, as the same shall be elaborated in the Procurement Plan.

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.

Particular Methods of Procurement of Goods and works

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and works 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 works for those contracts specified in the Procurement Plan: (A) National Competitive Bidding, (subject to the additional procedures in paragraph (iii) below); (B) Shopping; (C) procurement under Framework Agreements in accordance with procedures which have been found acceptable to the World Bank; (D) Direct Contracting; (E) Procurement from UNOPS; and (F) Community Participation procedures which have been found acceptable to the World Bank.

(iii) Additional National Competitive Bidding (NCB) procedures

(a) 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.

(b) No margins of preference of any sort shall be applied in the bidding process under the National Competitive Bidding.

(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 the Advance

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Advance in accordance with the provisions of: (i) Article III of the Standard Conditions; (ii) this Section; and (iii) 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 category of Eligible Expenditures that may be financed out of the proceeds of the Advance (“Category”), the amount of the Advance allocated to the Category, and the percentage of expenditures to be financed for Eligible Expenditures in the Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Advance Allocated (expressed in Dollars)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, consultants' services, Training and Operating Costs</td>
<td>1,097,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,097,000</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. Refinancing Date. The Refinancing Date is June 30, 2013.

Article IV
Terms of the Advance

4.01. Service Charge. The Recipient shall pay a service charge on the Withdrawn Advance Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum. The service charge shall accrue from the respective dates on which amounts of the Advance
are withdrawn and shall be paid in arrears in accordance with the provisions of Section 4.02 of this Agreement. Service charges shall be computed on the basis of a 360-day year of twelve 30-day months.

4.02. Repayment. The Withdrawn Advance Balance shall be repaid by the Recipient to the World Bank (together with any service charges accrued thereon) in accordance with the provisions of Article IV of the Standard Conditions and the following provisions:

(a) Refinancing under the Refinancing Agreement: If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, then the full amount of the Withdrawn Advance Balance shall be repaid to the World Bank (together with any service charges accrued on the Advance to the date of repayment) as soon as the Refinancing Agreement becomes effective, by means of a withdrawal by the World Bank of an amount of the Refinancing Proceeds equivalent to the Withdrawn Advance Balance plus such service charges, in accordance with the provisions of the Refinancing Agreement.

(b) Repayment in the absence of a Refinancing Agreement: If, on or before the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, or if, by such date or at any time thereafter, it has been so executed but terminates without becoming effective, then:

(i) if the amount of the Withdrawn Advance Balance does not exceed $50,000, it shall be repaid by the Recipient to the World Bank (together with service charges accrued on the Withdrawn Advance Balance to the date of repayment) on such date as the World Bank shall specify in a notice to the Recipient, which shall in no event be earlier than 60 days following the date of dispatch of such notice; and

(ii) if the amount of the Withdrawn Advance Balance exceeds $50,000, it (together with service charges accrued on the Withdrawn Advance Balance to the Notice Date) (the "Aggregate Balance") shall be paid by the Recipient to the World Bank in ten approximately equal semiannual installments, in the amounts and on the dates ("Payment Dates") which the World Bank shall specify in a notice to the Recipient. In no event shall the first Payment Date be set earlier than 60 days following the date ("Notice Date") of dispatch of such notice. The Recipient shall pay a service charge on the Aggregate Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum, payable in arrears on each Payment Date. The service charge shall be computed on the basis of a 360-day year of twelve 30-day months.
Article V
Recipient's Representative; Addresses

5.01. Recipient's Representative. The Recipient's Representative referred to in Section 9.02 of the Standard Conditions is its minister in charge of finance.

5.02. Recipient's Address. The Recipient's Address referred to in Section 9.01 of the Standard Conditions is:

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

Telex: 42221
Facsimile: 253494

5.03. World Bank's Address. The World Bank's Address referred to in Section 9.01 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: 64145 (MCI)