CREDIT NUMBER 5937-ZM

Financing Agreement

(Mining and Environmental Remediation and Improvement Project)

between

REPUBLIC OF ZAMBIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated 2nd MAY 2017
FINANCING AGREEMENT

AGREEMENT dated 21st MAY, 2017, entered into between the REPUBLIC OF ZAMBIA ("Recipient") and the 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 forty-seven million eight hundred thousand Special Drawing Rights (SDR 47,800,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.

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

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

2.08. The Payment Currency is Dollar.
ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall:

(a) carry out Parts 1, 2.1, 3.2 and 4 of the Project through the Ministry of Mines and Minerals Development ("MMMD");

(b) cause Parts 1.1, 3 and 4 of the Project to be carried out by Kabwe Municipal Council ("KMC") in accordance with the provisions of the Project Agreement signed between the Association and KMC; and

(c) cause Parts 2.2 and 4 of the Project to be carried out by Zambia Environmental Management Agency ("ZEMA") in accordance with the Project Agreement signed between the Association and ZEMA,

all in accordance with the provisions of Article IV of the General Conditions.

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 Events of Suspension consist of the following:

(a) any of the Project Implementing Entity’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of such Project Implementing Entity to perform any of its obligations under the Project Agreement;

(b) a representation made by any of the Project Implementing Entities in or pursuant to its respective Project Agreement, or any representation or statement furnished by any of the Project Implementing Entity and intended to be relied upon by the Association in making the Financing was incorrect in any material respect;

(c) the Recipient has taken or permitted to be taken any action which would prevent or interfere with the performance by any of the Project Implementing Entities of its obligations under the Project Agreement; and

(d) IBRD or IDA has suspended in whole or in part the right of any of the Project Implementing Entities to make withdrawals under any agreement with IBRD or with IDA because of a failure by the Project Implementing
4.02. The Additional Events of Acceleration consist of the following:

(a) the event specified in paragraph (a) of Section 4.01 of this Agreement occurs; and

(b) the events specified in paragraphs (b), (c) and (d) of Section 4.01 of this Agreement occur and are continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

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 KMC; and

(b) the Subsidiary Agreement has been executed on behalf of the Recipient and ZEMA.

5.02. The Additional Legal Matter consists of the following, namely that each of the Subsidiary Agreement referred to in Section 5.01 has been duly authorized or ratified by the Recipient and the Project Implementing Entity concerned and is legally binding upon the Recipient and the Project Implementing Entity concerned 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. The Recipient’s Representative is its minister responsible for finance.

6.02. The Recipient’s Address is:

Ministry of Finance
P.O. Box 50062
Chimanga Road
Lusaka, Republic of Zambia
Telex: Facsimile:

42221 (+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: Telex: Facsimile:

INDEVAS 248423 (MCI) 1-202-477-6391
Washington, D.C.
AGREED at 29th May, 2017, as of the day and year first above written.

REPUBLIC OF ZAMBIA

By:

[Signature]

Authorized Representative

Name: HON. FELIX C. MUTATI

Title: HONORABLE MINISTER OF FINANCE

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:

[Signature]

Authorized Representative

Name: MARLENE RUHESBERG

Title: COUNTRY MANAGER FOR ZAMBIA
SCHEDULE 1

Project Description

The objective of the Project is to reduce environmental health risks to the local population in critically polluted mining areas in Chingola, Kabwe, Kitwe, and Mufulira Municipalities, and including lead exposure in Kabwe Municipality.

The Project consists of the following parts:

Part 1: Remediation of Contaminated Hotspots and Improvement of Environmental Infrastructure

1. Implementing a program of activities to remediate contaminated hotspots in Kabwe and other selected areas, such activities to include: (a) implementation of prioritized investments for in-situ remediation; and (b) construction and improvement of associated environmental infrastructure.

2. Piloting the rehabilitation of selected tailing dams and other mine facilities, and carrying out closure of selected mines in the Copperbelt Province.

Part 2: Enhancing Institutional Capacity for Environmental Governance and Compliance

1. Carrying out programs of activities to:

   (a) Support MMMD in its policy development and engagement such activities to include: (i) review, development and strengthening of regulations, codes, protocols and standards relating to the Environmental Protection Fund; (ii) preparing new and updating existing subsidiary legislation under the Mines and Minerals Development Act and the Environment Act; and (iii) carrying out public consultations on the proposed legal and policy changes.

   (b) Strengthen the capacity of the MSD, including: (i) developing operational standards and procedures; (ii) developing and disseminating codes of practice, guidelines and checklists; (iii) building the capacity of staff for regular monitoring and inspection, for management of cases and collection of information and for the carrying out of integrated tracking of performance by license holders; (iv) developing the internal audit functions; reviewing the existing modalities for sampling, testing and monitoring of environmental quality (including considering the desirability of upgrading MSD’s testing equipment); and (v) developing related market surveys, feasibility studies and business plans.
(c) Strengthen the capacity of the Radiation Protection Authority ("RPA") to improve identification and mapping of areas with exposure to radioactive waste.

(d) Increase awareness of environmental governance such activities to include: (i) providing support for the preparation and dissemination of relevant reports; (ii) training of civil society organizations to increase their engagement; (iii) developing and implementing a national communication strategy on the environmental and health risks arising out of mining activities; (iv) sensitizing the public in close proximity to mining areas to the dangers of pollution associated with mining activities; and (v) sensitizing legislators on the relevant environmental governance issues.

2. Carrying out a program of activities to improve environmental compliance, enforcement and public disclosure such activities to include building the capacity of ZEMA to carry out its enforcement activities, including: (a) providing tailor-made training to public officials and developing and implementing a comprehensive environmental monitoring program; (b) developing guidelines for and appointing, training and supporting the work of honorary inspectors; (c) providing environmental monitoring equipment; increasing public disclosure and access to environmental information (including implementing pilot projects to showcase best practice environmental management approaches and developing a central environmental management system and information registry); and (d) supporting the set-up and operation of the Permanent Environment Fund.

Part 3: Reducing Environmental Health Risks through Localized Interventions

1. Carrying out a program of activities to strengthen decentralized health and education interventions to reduce environmental health risks associated with chemical contamination, such activities to include: (a) screening, conducting testing, case management and surveillance of populations affected by lead poisoning; (b) providing treatment and nutritional supplements to affected populations; (c) developing and implementing a case based reporting, monitoring and evaluation and data management system; (d) carrying out of testing of lead levels in food; (e) developing and disseminating policies and guidelines on lead and heavy metals management; (f) training of staff; and (g) capacity building of local, district, provincial and central government hospitals in the targeted area.

2. (a) Providing Sub-Project Grants to Beneficiaries in the Participating Municipalities to carry out Sub-projects consisting of income generation and job creation activities in targeted areas; and (b) carrying out by Participating Municipalities of capacity building of potential beneficiaries and implementing public sensitization and educational campaigns.
Part 4: Project Management, Monitoring and Evaluation

1. Financing of Operating Costs and other costs associated with Project coordination, management and implementation.

2. Providing technical assistance for the implementation of the Project.

3. Training of Project staff and other capacity building for Project implementation.

4. Carrying out of monitoring and evaluation activities on the Project.
Section I. Implementation Arrangements

A. Institutional Arrangements

Ministry of Mines

1. The Recipient shall designate the MMMD with the responsibility for overall coordination and implementation of the Project.

Project Steering Committee ("PSC")

2. The Recipient shall maintain throughout Project implementation, the PSC with composition and terms of reference satisfactory to the Association and with adequate resources to carry out its responsibilities under the Project.

3. Without limitation on the foregoing, the functions of the PSC shall be to: (a) provide policy and strategic guidance over the Project; (b) endorse annual work plans and procurement plans prior to approval by the Association; and (c) review and follow up on implementation progress.

Project Coordination Unit ("PCU")

4. The Recipient shall: (a) maintain throughout Project implementation, the PCU within MMMD, with terms of reference, staffing and other resources satisfactory to the Association; and (b) assign to the PCU, a Project coordinator, a monitoring and evaluation specialist, an environmental and social safeguards specialist, a Project accountant, a procurement officer, a communications officer and such other staff as may be agreed with the Association, all with qualifications, experience, and terms of reference satisfactory to the Association.

5. Without limitation on the foregoing, the PCU shall be responsible for: (a) providing secretarial support to the PSC; (b) overall monitoring and reporting under the Project; and (c) providing management support to the Project Implementation Units.

Mines Safety Department ("MSD") and Project Implementation Unit

6. To ensure the proper implementation of Parts 2.1(b) of the Project, the Recipient shall maintain throughout Project implementation:
(a) the Mines Safety Department with an institutional framework and terms of reference satisfactory to the Association and with adequate resources to carry out its responsibilities under the Project; and

(b) the PIU within MSD with terms of reference, staffing and other resources satisfactory to the Association; and assign to the PIU, a Project manager, a mining engineer, a mining policy specialist, an implementation monitoring and evaluation officer, an environmental and social safeguards specialist, an accounts officer, a procurement officer and such other staff as may be agreed with the Association, all with qualifications, experience, and terms of reference satisfactory to the Association.

7. Without limitation on the foregoing, the functions of the PIU shall be to carry out the day-to-day implementation of Parts 2.1(b) of the Project including financial management, procurement, safeguards oversight and monitoring and evaluation of the respective Project activities.

Kabwe Municipal Council ("KMC") and Project Implementation Unit

8. To ensure the proper implementation of Parts 1.1, 3 and 4 of the Project, the Recipient shall maintain throughout Project implementation:

(a) KMC with an institutional framework and terms of reference satisfactory to the Association and with adequate resources to carry out its responsibilities under the Project; and

(b) the PIU within KMC with terms of reference, staffing and other resources satisfactory to the Association; and assign to the PIU, an environmental engineer as the Project team leader, a health officer, a livelihoods officer, an environmental and social safeguards specialist, an accounts officer, a procurement officer and such other staff as may be agreed with the Association, all with qualifications, experience, and terms of reference satisfactory to the Association.

9. Without limitation on the foregoing, the functions of the PIU shall be to carry out the day-to-day implementation of Parts 1.1, 3 and 4 of the Project including financial management, procurement, safeguards oversight and monitoring and evaluation of the respective Project activities.

ZEMA and Project Implementation Unit

10. To ensure the proper implementation of Parts 2.2 and 4 of the Project, the Recipient shall maintain throughout Project implementation:
(a) ZEMA with an institutional framework and terms of reference satisfactory to the Association and with adequate resources to carry out its responsibilities under the Project; and

(b) the PIU within ZEMA with terms of reference, staffing and other resources satisfactory to the Association; and assign to the PIU, a manager, a Project coordinator, an enforcement officer, a monitoring and evaluation specialist, an accounts officer, a procurement officer and such other staff as may be agreed with the Association, all with qualifications, experience, and terms of reference satisfactory to the Association.

11. Without limitation on the foregoing, the functions of the PIU shall be to carry out the day-to-day implementation of Parts 2.2 and 4 of the Project including financial management, procurement, safeguards oversight and monitoring and evaluation of the respective Project activities.

B. Implementation Arrangements

Project Implementation Manual ("PIM")

1. The Recipient shall:

(a) carry out the Project, and cause the Project to be carried out, in accordance with the Project Implementation Manual, which contains detailed guidelines and procedures for the implementation of the Project, including: administration and coordination; monitoring and evaluation; financial, procurement and accounting procedures; social and environmental safeguards; corruption and fraud mitigation measures; roles and responsibilities of various agencies in the implementation of Project, the selection and eligibility criteria for Sub-Projects and Beneficiaries and the funding conditions that have to be met in order for beneficiaries to qualify for the Sub-Project Grants; the procedure and criteria for selecting investments (including economic and technical feasibility, ownership and environmental and social risks and impacts on the surrounding community), tailing dams and other activities to be implemented under Part 1 of the Project, and such other arrangements and procedures as shall be required for the effective implementation of the Project; and

(b) except as the Association shall otherwise agree in writing, not amend or waive, or permit to be amended or waived any provision of the PIM.

2. In case of conflict between the provisions of the PIM and this Agreement, the provisions of this Agreement shall prevail.
Annual Work Plan and Budget

3. The Recipient shall, not later than September 30th of each year, 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 exchange views with the Association on each such proposed annual work plan, and shall thereafter 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.

C. Subsidiary Agreement between the Recipient and each of the Project Implementing Entities

1. To facilitate the carrying out of their Respective Parts of the Project, the Recipient shall make the proceeds of the financing, which are allocated from time to time for the implementation of the Respective Part of the Project, available to each of the Project Implementing Entities only after the signing of a subsidiary agreement between the Recipient and the Project Implementing Entity, on terms and conditions approved by the Association ("Subsidiary Agreement"), including the right of the Recipient to suspend or terminate the right of the Project Implementing Entity to use said proceeds of the financing, and to obtain a refund of all or any part of the amount of the financing then withdrawn, upon a Project Implementing Entity’s failure to perform any of its obligations under the applicable Subsidiary Agreement, and which shall include the obligation of the Project Implementing Entity to:

   (a) implement 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;

   (b) (i) procure all goods and services required under the 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 the Project;

   (c) ensure that all facilities relevant to the 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;
(d) with respect to records management: (i) maintain records adequate to record the progress of the 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 Respective Part of 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 the Respective Part of the Project for the period of time specified in the General Conditions;

(e) 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 the 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 the 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 the Respective Part of the Project, and furnish the same to the Recipient and the Association not later than (6) months after the end of the Project;

(f) 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 the Respective Part of the Project; (ii) avail the records pertaining to the Respective Part of 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; and

(g) 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 Respective Part 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. Project Implementation Agreement between the Recipient and each of Chingola, Kitwe and Mufulira Municipalities and RPA

1. For the purposes of implementation of Part 3.2 of the Project by each of Chingola, Kitwe and Mufulira Municipalities and implementation of Part 2.1 of the Project by RPA, the Recipient shall provide financing to each of Chingola, Kitwe and Mufulira Municipalities and RPA under an agreement between the Recipient, acting through MMMD, and each of Chingola, Kitwe and Mufulira Municipalities and RPA under terms and conditions satisfactory to the Association (“Project Implementation Agreement”) including the right of the Recipient to suspend or terminate the right of the Municipality of Chingola, Kitwe or Mufulira or RPA, as the case may be, to use the proceeds of the Financing, and to obtain a refund of all or any part of the amount of the Financing then withdrawn, upon failure of the Municipality of Chingola, Kitwe or Mufulira or RPA, as the case may be, to perform any of its obligations under its related Project Implementation Agreement, and which shall include the obligation of Chingola, Kitwe and Mufulira Municipalities and RPA to: (a) carry out its respective part/s of the Project with due diligence and efficiency and in accordance with sound technical, economic, financial and managerial standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient; (b) carry out the respective part/s of the Project in accordance with the provisions of this Agreement; (c) provide, promptly as needed, the resources required for the purpose of the respective Parts of the Project; (d) procure the goods, works and services to be financed out of the Financing in accordance with the provisions of this Agreement; (e) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the respective Parts of the Project and the achievement of its objectives; (f)(i) 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, resources and expenditures related to the respective part/s of the Project; and (ii) at the Association’s or the Recipient’s request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards...
acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association; (g) enable the Recipient and the Association to inspect the respective Parts of the Project, its operation and any relevant records and documents; and (h) prepare and furnish to the Recipient and the Association all such further information as the Recipient or the Association may reasonably request.

2. The Recipient, through MMMD, shall exercise its rights and carry out its obligations under each Project Implementation 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 any provision of any Project Implementation Agreement or any of its provisions.

E. Sub-Projects under Part 3.2(a) of the Project

1. For the purpose of enhancing local community involvement in addressing environmental health risks in targeted areas (including most polluted settlements/wards) in the Participating Municipalities, the Recipient shall cause the Participating Municipalities to provide grants ("Sub-Project Grants") to eligible beneficiaries ("Beneficiaries") to implement income generation and job creation activities ("Sub-Projects") in accordance with this Agreement and the criteria, conditions and guidelines set out in the Project Implementation Manual.

2. The Recipient shall cause each Participating Municipality to provide each Sub-Project Grant to a Beneficiary under a Sub-Project grant agreement between a Participating Municipality and each Beneficiary, under terms and conditions approved by the Association ("Sub-Project Grant Agreement") which shall include rights adequate to protect its interests and those of the Association, including the right to: (a) suspend or terminate the right of the Beneficiary to use the proceeds of the Sub-Project Grant, or obtain a refund of all or any part of the amount of the Sub-Project Grant then withdrawn, upon the Beneficiary’s failure to perform any of its obligations under the Sub-Project Grant Agreement; and (b) require each Beneficiary to: (i) carry out the Sub-Project with due diligence and efficiency and in accordance with sound technical, economic, financial and managerial standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient; (ii) carry out the Sub-Project in accordance with the provisions of the Safeguards Instruments; (iii) provide, promptly as needed, the resources required for the purpose of the Sub-Project; (iv) procure the goods, works and services to be financed out of the Sub-Project Grant in accordance with the provisions of this Agreement; (v) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Sub-Project and the achievement of its objectives; (vi)(A) 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, resources and expenditures related to the Sub-Project; and (B) at the Association's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association; (vii) enable the Recipient and the Association to inspect the Sub-Project, its operation and any relevant records and documents; and (viii) prepare and furnish to the Recipient and the Association all such further information as the Recipient or the Association may reasonably request.

3. The Recipient shall cause each Participating Municipality to exercise its rights and carry out its obligations under each Sub-Project Grant Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Sub-Project Grant. Except as the Association shall otherwise agree, the Recipient shall cause each Participating Municipality to not assign, amend, abrogate or waive any Sub-Project Grant Agreement or any of its provisions.

F. Anti-Corruption

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

G. Safeguards

1. The Recipient shall ensure, and cause RPA, ZEMA, and the Participating Municipalities, to carry out the Project in accordance with the provisions of the Environmental and Social Management Framework ("ESMF") and the Resettlement Policy Framework ("RPF").

2. If any Supplemental Social and Environmental Safeguards Instrument is required under any of the Safeguards Instruments, the Recipient shall ensure, and cause RPA, ZEMA or any of the Participating Municipalities, as appropriate, to:

(a) Prepare: (i) such Supplemental Social and Environmental Safeguards Instrument in accordance with the applicable Safeguards Instrument; (ii) furnish such Supplemental Social and Environmental Safeguards Instrument to the Association for review and approval; and (iii) thereafter adopt such Supplemental Social and Environmental Safeguards Instrument prior to implementation of the activities; and
(b) thereafter take such measures as shall be necessary or appropriate to ensure full compliance with the requirements of such Supplemental Social and Environmental Safeguards Instrument.

3. The Recipient shall ensure that all technical assistance under the Project, application of whose results would have environmental or social implications, shall only be undertaken pursuant to terms of reference reviewed and found satisfactory by the Association, such terms of reference to ensure that the technical assistance takes into account, and calls for application of the Association’s environmental and social safeguards policies and the Recipient’s own laws relating to the environment and social aspects.

4. If any activity under the Project would involve Affected Persons, the Recipient shall: (a) ensure that no displacement (including restriction of access to legally designated parks and protected areas) shall occur before resettlement measures under a Supplemental Social and Environmental Safeguards Instrument prepared in accordance with the RPF, including, in the case of displacement, full payment to Affected Persons of compensation and of other assistance required for relocation, have been implemented; and (b) provide from its own resources, any financing required for any measures under sub-paragraph (a) above including any costs associated with land acquisition required for the Project.

5. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall for each of the Safeguards Instruments including the related Supplemental Social and Environmental Safeguards Instrument, regularly collect, compile and furnish to the Association reports in form and substance satisfactory to the Association, on the status of compliance with such Safeguards Instrument including the related Supplemental Social and Environmental Safeguards Instrument, as part of the Project Reports, giving details of:

(a) measures taken in furtherance of the Safeguards Instruments including the Supplemental Social and Environmental Safeguards Instruments;

(b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguards Instruments including the Supplemental Social and Environmental Safeguards Instruments; and

(c) remedial measures taken or required to be taken to address such conditions.
Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient 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 the indicators acceptable to the Association and set out in the Project Implementation Manual. Each Project Report shall cover the period of one calendar 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 maintain or cause to be maintained 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 each Project Implementing Entity to prepare and furnish to the Association 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 each 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 commencing with the fiscal year in which the first withdrawal was made under the Preparation Advance for the Project. The audited Financial Statements for each such period 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 and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
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<tbody>
<tr>
<td>(a) National Competitive Bidding (subject to the additional provisions set out in paragraph 3 below)</td>
</tr>
<tr>
<td>(b) Shopping</td>
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<tr>
<td>(c) Direct Contracting</td>
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<tr>
<td>(d) Force Account</td>
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<tr>
<td>(e) Procurement from UN Agencies</td>
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<tr>
<td>(f) Community Participation procedures which have been found acceptable to the Association.</td>
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</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 bidding procedure set forth in the Public Procurement Act, 2008, Act. No.12 of 2008, as amended by the Public Procurement (Amendment) Act, 2011, Act No. 15 of 2011 (the "PPA"), and the Public Procurement Regulations 2011, Statutory Instrument No. 63 of 2011 (the "Regulations"); provided, however, that such procedure shall be subject to the provisions of Section I and Paragraphs 3.3 and 3.4 of Section III, and Appendix 1
of the “Guidelines for Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers” dated January 2011 (Revised July 2014) (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 (iii) 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 Quality- and Cost-based Selection, which may be used for consultant services. The Procurement Plan shall specify the circumstances under which such methods may be used:

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

**A. General**

1. The Recipient may withdraw the proceeds of the Credit 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 Credit (“Category”), the allocations of the amounts of the Credit 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 Credit 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, consulting services, Training and Operating Costs under the Project but excluding and Parts 1.1, 3 and 4 implemented by KMC and Parts 2.2, 3.2(a) and 4 of the Project implemented by ZEMA.</td>
<td>29,400,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works, non-consulting services, consulting services, Training and Operating Costs under Parts 2.2 and 4 of the Project implemented by ZEMA</td>
<td>5,830,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, works, non-consulting services, consulting services, Training and Operating Costs under Parts 1.1, 3.1, 3.2(b) and 4 of the Project implemented by KMC</td>
<td>10,200,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Sub-Project Grants under Part 3.2(a) of the Project implemented by KMC</td>
<td>590,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Sub-Project Grants under Part 3.2(a) of the Project implemented by Kitwe Municipality</td>
<td>300,000</td>
<td>100%</td>
</tr>
</tbody>
</table>
Sub-Project Grants under Part 3 300,000 100% of the Project implemented by Chingola Municipality

Sub-Project Grants under Part 3 300,000 100% of the Project implemented by Mufulira Municipality

Refund of Preparation Advance 880,000 Amount payable pursuant to Section 107 of the General Conditions

TOTAL AMOUNT 47,800,000

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 370,000 may be made for payments made prior to this date but on or after July 1, 2016, for Eligible Expenditures under Category (1).

2. The Closing Date is June 30, 2022.
### 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 May 15 and November 15:</td>
<td></td>
</tr>
<tr>
<td>commencing May 15, 2022, to and including November 15, 2031</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing May 15, 2032, to and including November 15, 2041</td>
<td>3.35%</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. “Affected Persons” means persons who on account of the execution of the Project, have experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (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 persons 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.


3. “Beneficiary” means a community group that meets the eligibility criteria and conditions specified in the PIM for receiving a Sub-Project Grant and to which or for whose benefit a Sub-Project Grant is made or proposed to be made.

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


6. “Copperbelt Province” means the Copperbelt Province, an administrative subdivision of the Recipient.

7. “Environmental Protection Fund” means the Recipient’s Environmental Protection Fund established and operating pursuant to the Mines and Minerals Development Act, Statutory Instrument No. 102 of 1998, as amended, with the purpose of securing funds for the environmental closing costs of mining areas.

8. “Environmental and Social Assessment” and “ESIA” mean the assessment to be carried out in accordance with the ESMF by the Recipient (through MMMD and MSD), RPA, ZEMA or the Participating Municipalities, as the case may be, on the potential environmental and social impacts of the Project, evaluating alternatives, and proposing appropriate mitigation, management, and monitoring measures and defining specific measures to be implemented.

9. “Environmental and Social Management Plan” and “ESMP” mean a plan prepared and adopted by Recipient (through MMMD and MSD), RPA, ZEMA or the Participating Municipalities, as the case may be, as provided in the ESIA providing
appropriate mitigation, monitoring and institutional measures designed to mitigate potential adverse environmental and social impacts under the Project, offset them, reduce them to acceptable levels or enhance positive impacts, as the same may be amended from time to time with the agreement of the Association.

10. “ESMF” means the Environmental and Social Management Framework prepared and adopted by the Recipient and disclosed in-country on July 18, 2016, and in Bank’s Infoshop on July 20, 2016, defining the set of mitigation, enhancement, monitoring, and institutional measures to be taken during implementation of the Project to eliminate any adverse environmental and social impacts, offset them, reduce them to acceptable levels, or to enhance positive impacts of the Project activities as well as identification of use of pesticides and any physical cultural resources, forestry reserves, and natural habitats that may be impacted and handling and/or exclusion of any such activities from the Project, as such framework may be amended by the Recipient from time to time, with the prior written agreement of the Association.

11. “Fiscal Year” means each fiscal year of the Recipient commencing on January 1 and ending on December 31.

12. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.

13. “KMC” means Kabwe Municipal Council, the local administrative council established in Kabwe Municipality and operating pursuant to the Local Government Act, Cap 281 of the Laws of the Recipient (as amended from time to time).

14. “Mines Safety Department” or “MSD” means the Mines Safety Department within MMMD responsible for compliance with requirements set out in the Mines and Minerals Development Act 2015, and particularly in relation to mines safety inspection, monitoring of environmental quality and compliance with the mines closure plans and licensing conditions.


16. “Operating Costs” means the reasonable incremental expenses incurred by the Recipient (including by the PCU and PIUs) and approved by the Association attributable to Project (including Sub-Projects) implementation, management and monitoring, including costs relating to: office supplies and consumables, stationery and sundries, maintenance of office equipment, communication, advertising, office rentals, utility costs, operation and maintenance of office vehicles, per diem and
travel costs for Project staff, reasonable bank charges, allowances and salaries of Project staff (but excluding the salaries of the Recipient’s civil servants).

17. "Participating Municipalities" means, collectively, Chingola, Kabwe, Kitwe, and Mufulira Municipalities; and “Participating Municipality” means, individually, any of the Participating Municipalities.

18. “Permanent Environment Fund” means the Recipient’s fund established and operating pursuant to the Environmental Management Act of 2011, for purposes of ensuring financing for environmental research and addressing critical environmental issues of public concerns to further the requirements of environmental management and sustainable natural resource management.

19. “Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on August 24, 2015, and on behalf of the Recipient on October 29, 2015.


21. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated July 1, 2016, 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 Coordination Unit” or “PCU” means the Recipient’s unit established within MMMD charged with the responsibility for overall monitoring of and providing management support in the implementation of the Project and referred to in Section I.A.4 and 5 of Schedule 2 to this Agreement.

23. “Project Implementation Agreement” means the agreement acceptable to the Association to be signed between the Recipient, through MMMD, and each of Chingola, Kitwe and Mufulira Municipalities and RPA, setting out mutual responsibilities for the implementation of the respective Parts of the Project and referred to in Section I.D of Schedule 2 to this Agreement.

24. “Project Implementing Entities” means, collectively, KMC and ZEMA; and “Project Implementing Entity” means, individually any of the Project Implementing Entities.

25. “Project Implementing Entity’s Legislation” means with respect to:

(a) KMC: Article 151 and 152 of the Constitution of Zambia as read together with the Local Government Act Cap 281 of the Laws of Zambia; and
(b) ZEMA: the Environmental Management Act, Act No. 12, of 2011.

26. "Project Implementation Manual” or "PIM" means the manual acceptable to the Association and adopted by the Recipient and referred to in Section I.B of Schedule 2 to this Agreement, as the same may be amended from time to time with the prior agreement of the Association.

27. "Project Implementation Unit” or "PIU” means each of the unit established in MSD, KMC and ZEMA charged with the responsibility for the day-to-day implementation of the Respective Part of the Project, and referred to in Sections I.A.8 through Section I.A.11 of Schedule 2 to this Agreement.

28. "Project Steering Committee” means a committee established by the Recipient for purposes of the Project and referred to in Sections I.A.2 and I.A.3 of Schedule 2 to this Agreement.

29. "Radiation Protection Authority” or “RPA” means the Recipient’s national regulatory body established and operating under the Ionising Radiation Protection Act No. 16 of 2005, (as amended from time to time) and responsible for the regulation, control and supervision of all practices involving the use of ionising radiation and developing codes and standards for the safe conduct of all radiation practices, or the legal successor thereto.

30. "Resettlement Action Plan” and "RAP” mean the plan approved by the Association for the Project, prepared on the basis of the RPF as the said document may be amended and/or supplemented from time to time with the prior written concurrence of the Association and subject to the initial consultation and disclosure requirements carried out on the RAP.

31. "Resettlement Policy Framework” and "RPF” mean a document in form and substance acceptable to the Association, and disclosed in-country on July 18, 2016, and in the Bank’s Infoshop on July 20, 2016, which framework outlines the policies and procedures to be implemented in the event that specific activities implemented under the Project have potentially negative impacts on the livelihoods, assets and land of the affected population, as the said framework may be amended and/or supplemented from time to time with the prior written consent of the Association, and such term includes any schedules to such document.

32. "Safeguards Instruments” means the ESMF, the RPF and any Supplemental Social and Environmental Safeguards Instruments.

33. "Sub-Project” means the income generation and job creation activities that meet the eligibility criteria and terms and condition set out set out in Section I.E of Schedule 2 this Agreement and the PIM and proposed for financing under the Project.
34. "Sub-Project Grant" means a grant made or proposed to be made by the Recipient out of the proceeds of the Financing allocated from time to time to Category (4) of the table set forth in Section IV.A.2 of the Schedule to this Agreement for the purpose of financing all or a portion of expenditures incurred by a Beneficiary for goods, works, non-consulting services, consultants' services.

35. "Sub-Project Grant Agreement" means the agreement acceptable to the Association to be entered into between a Participating Municipality and a Beneficiary for the provision of Sub-Project Grant, and referred to in Section I.E.2 of Schedule 2 to this Agreement.

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

37. "Supplemental Social and Environmental Safeguards Instruments" means any ESMP, RAP, ESIA or other supplemental social and environmental safeguards instruments as required under the terms of the ESMF or RPF.

38. "Training" means the costs of training under the Project, based on the annual work plans and budgets referred to in Section I.B of Schedule 2 to this Agreement as approved by the Association, and attributable to seminars, workshops, and study tours, along with travel and subsistence allowances for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.

39. "ZEMA" means Zambia Environmental Management Agency, which is the Recipient's entity responsible for the sustainable management of natural resources, protection of the environment and the prevention and control of pollution, established and operating pursuant to the Recipient's Environmental Management Act, Act No. 12, of 2011, or any legal successor thereto.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Section 3.02 is modified to read as follows:

"Section 3.02. Service Charge and Interest Charge

(a) Service Charge. The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be
computed on the basis of a 360-day year of twelve 30-day months.

(b) **Interest Charge.** The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.”

2. Paragraph 28 of the Appendix (“Financing Payment”) is modified by inserting the words “the Interest Charge” between the words “the Service Charge” and “the Commitment Charge”.

3. The Appendix is modified by inserting a new paragraph 32 with the following definition of “Interest Charge”, and renumbering the subsequent paragraphs accordingly:

“32. “Interest Charge” means the interest charge specified in the Financing Agreement for the purpose of Section 3.02 (b).”

4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix (“Payment Date”) is modified by inserting the words “Interest Charges” between the words “Service Charges” and “Commitment Charges”.

5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix (“Service Charge”) is modified by replacing the reference to Section 3.02 with Section 3.02 (a).