Honorable Margaret Mwanakatwe  
Minister of Finance  
Ministry of Finance  
Lusaka  
Republic of Zambia

Re: Republic of Zambia: Mining and Environmental Remediation and Improvement Project  
Credit Number 5937-ZM

Amendment to the Financing Agreement

Honorable Minister:

We refer to Financing Agreement dated May 29, 2017, (the “Agreement”) between the Republic of Zambia (the “Recipient”) and the International Development Association (“Association”) for the above-referenced Project. We also refer to your letter dated 27 December 2018, requesting an amendment to the Agreement.

We are pleased to inform you that the Association concurs with your request and hereby proposed to amend the Agreement as follows:

1. Section III of Schedule 2 is deleted in its entirety and replaced with the following:

   **“Section III. Procurement”**

   All goods, works, non-consulting services and 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 the Procurement Regulations and the provisions of the Procurement Plan.”

2. The Appendix to the Agreement is deleted and replaced with the one in the Annex to this letter showing that: (i) the definitions for “Consultant Guidelines” and “Procurement Guidelines” are deleted; (ii) the definition for “Procurement Plan” is revised; and (iii) a new definition is added for “Procurement Regulations.”
All other provisions of the Agreement, except as herein amended, shall remain in full force and effect.

Please indicate your agreement with the foregoing amendment by signing and dating this letter and returning it to us, while keeping one original for your records. This amendment will become effective as of the date of countersignature of this letter.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

[Signature]
Ina-Marlene Ruthenberg
Country Manager for Zambia
Africa Region

AGREED:
REPUBLIC OF ZAMBIA

By: [Signature]
Name: MARGARET MWANAKATWE
Title: MINISTER
Date: 11/06/2018
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.

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

6. “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.

7. “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.

8. “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.

9. “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.

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

11. “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.

12. “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).

13. “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.


15. “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).

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

17. “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.

18. “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.

19. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 02, 2018 and provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the Association.


21. “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.

22. “Project Implementation Agreement” means the agreement acceptable to the Association to be signed between the Recipient, through MMMD, and each of Chingola, Kitwe and Mufufira 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.

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

24. “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.

25. “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.

26. “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.

27. “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.

28. “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.
29. "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.

30. "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.

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

32. "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 1.E of Schedule 2 this Agreement and the PIM and proposed for financing under the Project.

33. "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.

34. "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.

35. "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.

36. "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.

37. "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.

38. "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).