Financing Agreement

(Improved Rural Connectivity Project)

between

THE REPUBLIC OF ZAMBIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated 13 September, 2017
FINANCING AGREEMENT

AGREEMENT dated 13th September 2017 (the “Agreement”), 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 — CREDIT

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 equal to two hundred million Dollars (USD$200,000,000) (“Credit”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).

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

2.03. The Front-end Fee payable by the Recipient shall be equal to one quarter of one percent (1/4 of 1%) of the Credit amount.

2.04. The Commitment Charge payable by the Recipient shall be one-quarter of one percent (1/4 of 1%) per annum on the Unwithdrawn Credit Balance.

2.05. The Interest Charge payable by the Recipient for each Interest Period shall be at a rate equal to four and one half of one percent (4.5%) 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 amortization 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 objectives of the Project. To this end, the Recipient shall cause the Project Implementing Entity and shall, through the Participating Agencies, carry out the Project in accordance with the provisions of Article IV of the General Conditions, this Agreement, the Project Agreement, the Project Implementation Plan and the Project Implementation Memorandum of Understanding.

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) The Project Implementing Entity’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations for the implementation of the Project, as set forth in the Project Agreement.

(b) The Recipient has suspended or terminated or materially curtailed the GRZ’s Ten-Year National OPRC Roll-Out Program.

(c) The Recipient has not entered into at least one OPRC for rehabilitation of road(s) in any of the GRZ Priority Provinces under the GRZ’s Ten-Year National OPRC Roll-Out Program by June 30, 2021.

4.02. The Additional Events of Acceleration shall be the event specified in paragraph (a) of Section 4.01 of this Agreement occurring and 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 the Project Implementing Entity.

(b) The Project Implementation Memorandum of Understanding has been executed on behalf of the Recipient and the Participating Agencies.
The Recipient has adopted the Project Implementation Plan.

5.02. The Additional Legal Matters consist of the following: the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.

5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is the Minister of Finance.

6.02. The Recipient’s Address is:

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

Facsimile: 260-211-253494  Telephone: 260-211-251078

6.03. The Association’s Address is:

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

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

REPUBLIC OF ZAMBIA

By:

Authorized Representative

Name: Felix C. Mulali, MP
Title: Minister of Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:

Authorized Representative

Name: RVAKLEIDE RUTHENBERG
Title: Country Manager
SCHEDULE 1

Project Description

The objectives of the Project are to: (a) improve the Recipient’s rural road accessibility for communities in selected areas; (b) strengthen institutional capacity for sustainable management of rural roads; and (c) respond promptly and effectively to an Eligible Crisis or Emergency.

The Project consists of the following Parts:

Part 1. Improvement of Feeder Roads

1. Improvement of about 4,300 km of the primary feeder road network (forming part of the GRZ’s Ten-Year National OPRC Roll-Out Program) through rehabilitation and maintenance of selected roads totaling approximately 600 km in each of the six participating provinces of the Recipient (collectively, the “Participating Provinces”), in the order set forth below:

(a) Central Province;
(b) Eastern Province;
(c) Northern Province;
(d) Luapula Province;
(e) Southern Province; and
(f) Muchinga Province.

Part 2. Institutional Strengthening in the Roads Sector

1. Supporting Project coordination and implementation roles of the Project Implementing Entity and the relevant Participating Agencies, including:

(a) coordination support to enable:

(i) MHID to proactively and effectively coordinate and manage Project implementation in its entirety, including performance by all other Participating Agencies, the Project Implementing Entity and other entities, adherence to the Project implementation schedule, monitoring and evaluation, management of the utilization of the pooled human resource development budget, and quality assurance on all outputs; and
(ii) MLG to effectively coordinate the activities of the LRAs; and

(b) implementation support to provide for:

(i) engineering services, including preparation of feasibility studies, engineering designs, bidding documents, and supervision of civil works, including environmental, health and safety requirements and Social and Environmental Safeguards, all to be executed by RDA;

(ii) technical audits, financial audits, and procurement audits, all to be executed by NRFA; and

(iii) Operating Costs.

2. Supporting strategic institutional capacity enhancements in the roads sector through providing technical services, works, goods and materials, and human resources development, including:

(a) technical services to include:

(i) development and adoption of an agency performance framework, facilitation of adoption by GRZ of the Labor-Based Employment Creation Policy, and development of an M&E system MHiD;

(ii) facilitation of adoption by GRZ and subsequent implementation of the Transport Sector Policy by MTC;

(iii) review by MTC of roads sector institutional mandates with the objective of improving efficiency and effectiveness in road funding;

(iv) preparation and adoption of a rural roads maintenance strategy by RDA;

(v) institutionalization of the policy on labor-based technology by NCC; and

(vi) performance of road safety audits and review of rural road safety strategy by RTSA.

(b) physical institutional capacity enhancements to include:

(i) mobile laboratory equipment to enhance capacity for quality control to be procured by MLG for coordinating the work of LRAs;
(ii) hardware and software for a M&E system to be procured by MHID and MLG to enable them to monitor Project implementation; and

(iii) a materials testing laboratory to be procured by NCC; and

(c) human resources development to include:

(i) training of technical staff in the areas of project management, contract management, PPP initiatives; M&E; management of Social and Environmental Safeguards; procurement, technology, road safety and climate resilience in the roads sector; and

(ii) recruitment of technical staff by MLG to increase its capacity to manage rural roads.

Part 3. **Contingent Emergency Response**

Providing immediate response to an Eligible Crisis or Emergency, as needed.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

The Recipient shall ensure that the Project Implementing Entity and each of the Participating Agencies shall be involved in the implementation of the Project as pertaining to its specialization and role in the Project. Without limiting the foregoing, the Recipient shall ensure that:

1. NRFA shall:
   (a) manage the Credit on behalf of the Recipient, including all financial management requirements such as the preparation of financial audits and financial reports, as well as coordination of procurement plans and progress reports;
   (b) upgrade its financial reporting system, including a review of the possibility of linking its Sun System to governments Integrated Financial Management Inform System (IFMIS); and
   (c) manage the Public Expenditure Review (PER) for the roads sector.

2. MHID shall:
   (a) implement the overall Project coordination;
   (b) perform the Project M&E function;
   (c) administer the utilization of the human resources development budget;
   (d) facilitate adoption by GRZ of the Labor-Based Employment Creation Policy; and
   (e) manage the preparation and application of an RDA performance framework.

3. RDA shall, through a newly established Project Management Unit (PMU), with adequate staff acceptable to the Association, or in the absence of a PMU, specially dedicated adequate staff acceptable to the Association:
- 9 -

(a) lead in the implementation of Part 1 and Part 3, including the planning, design, procurement, contract management, construction and maintenance, monitoring and quality assurance, and day to day management of civil works contracts, including environmental, health and safety requirements and Social and Environmental Safeguards;

(b) manage the preparation of a rural roads maintenance strategy; and

(c) manage the review of its road management system.

4. MLG shall:

(a) coordinate the work of the LRAs, where the Project is active;

(b) manage the procurement of equipment and materials for the LRAs; and

(c) manage the procurement of equipment and materials for capacity building within its roads directorate.

5. LRAs shall:

(a) assist the RDA’s contract supervision teams in their respective districts;

(b) prepare separate reports to MLG on the progress of the works; and

(c) certify acceptability of certain areas of the maintenance phase of OPRCs.

6. MTC shall:

(a) facilitate adoption by GRZ, and, once adopted, implement the Transport Sector Policy; and

(b) manage the preparation of a study to review the institutional mandates of the road sector institutions.

7. NCC shall:

(a) manage the implementation of the Labor-Based Employment Creation Policy, once adopted by GRZ;

(b) manage the construction of its own materials testing laboratory; and

(c) oversee implementation of Social and Environmental Safeguards.
8. RTSA shall:

(a) carry out safety audits of selected roads in each of the Participating Provinces;

(b) audit OPRCs conceptual designs;

(c) perform awareness creation campaigns; and

(d) review its strategy on rural road safety.

B. Subsidiary Agreement

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

(a) The obligation of the Recipient to transfer the proceeds of the Financing, required for the implementation of the Project to the Project Implementing Entity on a non-reimbursable grant basis, and otherwise to take all action necessary to permit the Project Implementing Entity to carry out the Project and ensure the achievement of the objectives thereof;

(b) The obligation of the Project Implementing Agency to take all actions necessary to facilitate each Participating Agency to carry out the parts of the Project pertinent to such Participating Agency and ensure the achievement of the objectives thereof;

(c) The obligation of the Project Implementing Entity to promptly inform the Recipient of any condition which interferes or threatens to interfere with the implementation of the Project and the achievement of the objectives thereof;

(d) The obligation of the Project Implementing Entity, at the request of the Recipient, to exchange views with the Recipient with regard to the progress of the Project and the achievement of the objectives thereof, and the Project Implementing Entity’s performance of its obligations under the Subsidiary Agreement;

(e) The obligation of the Project Implementing Entity to carry out the Project in accordance with this Agreement, the Project Agreement, the Subsidiary Agreement, and at all times to ensure that only Project activities that comply with this Agreement, the Project Agreement, the Subsidiary Agreement and
the Project Implementation Plan, will be financed from the proceeds of the Credit;

(f) The mutual obligation of the Recipient and the Project Implementing Entity to comply with the ESMF and the RPF;

(g) The obligation of the Project Implementing Entity to promptly refund to the Recipient any proceeds of the Financing not used or required for purposes of carrying out the Project or for achieving the objectives thereof, or otherwise utilized in a manner which does not comply with the provisions of this Agreement or the Project Agreement; and

(h) A provision stipulating that, in case of conflict between any of the provisions contained in the Subsidiary Agreement or the Administrative, Financial, Procurement and Accounting Manual, on the one hand, and those set forth in this Agreement and the Project Agreement, on the other, the provisions of this Agreement and the Project Agreement shall at all times prevail.

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 Credit. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

C. Implementation Covenants

1. The Recipient shall, at all times during Project implementation, take all actions necessary or appropriate to enable the Project Implementing Entity and the Participating Agencies to carry out their respective obligations as set forth or referred to in this Agreement, the Project Agreement, the Project Implementation Plan and the Project Implementation Memorandum of Understanding, including, without limitation, the provision of facilities, site access, services and other resources required for that purpose.

2. The Recipient shall ensure that the priority feeder roads within each Participating Province shall be selected by ranking them based on such factors as: (i) the number of beneficiaries; (ii) agricultural production along the road; (iii) social benefits from improved connectivity; (iv) connectivity to the main network (trunk, district and main roads); and (v) investment efficiency. The selection criteria and process shall be set forth in more detail in the Project Implementation Plan.

D. Anti-Corruption

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

1. The Recipient shall ensure, and cause RDA (and other relevant Participating Agencies), 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 RDA (and/or other relevant Participating Agencies) 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, through RDA (and/or other relevant Participating Agencies), 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, through RDA (and/or other relevant Participating Agencies): (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, through RDA (and/or other relevant Participating Agencies), 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.

F. Immediate Response Mechanism

In order to ensure the proper implementation of Part 3 of the Project ("Contingent Emergency Response") ("IRM Part"), the Recipient shall take the following measures.

1. The Recipient shall:

(a) prepare and furnish to the Association for its review and approval, an operations manual which shall set forth detailed implementation arrangements for the IRM Part, including: (i) designation of, terms of reference for and resources to be allocated to, the entity to be responsible for coordinating and implementing the IRM Part ("Coordinating Authority"); (ii) specific activities which may be included in the IRM Part, Eligible Expenditures required therefor ("Emergency Expenditures"), and any procedures for such inclusion; (iii) financial management arrangements for the IRM Part; (iv) procurement methods and procedures for Emergency Expenditures to be financed under the IRM Part; (v) documentation required for withdrawals of Emergency Expenditures; (vi) environmental and social safeguards management frameworks for the IRM Part, consistent with the Association's policies on the matter; and (vii) any other arrangements necessary to ensure proper coordination and implementation of the IRM Part;

(b) afford the Association a reasonable opportunity to review said proposed operations manual;

(c) promptly adopt such operations manual for the IRM Part as shall have been approved by the Association ("IRM Operations Manual");
(d) ensure that the IRM Part is carried out in accordance with the IRM Operations Manual; provided, however, that in the event of any inconsistency between the provisions of the IRM Operations Manual and this Agreement, the provisions of this Agreement shall prevail; and

(e) not amend, suspend, abrogate, repeal or waive any provision of the IRM Operations Manual without prior approval by the Association.

2. The Recipient shall, throughout the implementation of the IRM Part, maintain the Coordinating Authority, with adequate staff and resources satisfactory to the Association.

3. The Recipient shall undertake no activities under the IRM Part (and no activities shall be included in the IRM Part) unless and until the following conditions have been met in respect of said activities:

(a) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the IRM Part in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and

(b) the Recipient has prepared and disclosed all safeguards instruments required for said activities, in accordance with the IRM Operations Manual, the Association has approved all such instruments, and the Recipient has implemented any actions which are required to be taken under said instruments.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall, or shall cause the Project Implementing Entity and the relevant Participating Agencies to, monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth in sub-paragraph (b) of paragraph A of Section II of the Schedule to the Project Agreement. 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.

2. For purposes of Section 4.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six (6) months before the Closing Date.
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 prepare and furnish to the Association or cause to be prepared and furnished 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 have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period 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 and Works. All goods, works and non-consultant 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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

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

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

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

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding (subject to the additional provisions set forth in paragraph 3 below)</td>
</tr>
<tr>
<td>(b) Direct Contracting</td>
</tr>
<tr>
<td>(c) Force Account</td>
</tr>
<tr>
<td>(d) Shopping</td>
</tr>
<tr>
<td>(e) Procurement from UN Agencies</td>
</tr>
</tbody>
</table>

3. Additional Provisions and Modifications to National Competitive Bidding

The procurement procedure to be followed for National Competitive Bidding ("NCB") shall be the open bidding procedure set forth in the Public Procurement Act, 2008, Act No.12 of 2008, as amended by the Public Procurement (Amendment) Act, 2011, Act No. 15 of 2011 (the "PPA"), and the Public Procurement Regulations, 2011, Statutory Instrument No. 63 of 2011 (the "Regulations"); provided, however, that such procedure shall be subject to the provisions of Section I and Paragraphs 3.3 and 3.4 of Section III, and Appendix I of the "Guidelines for Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" 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 I 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.
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.

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.

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 methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Least-Cost Selection</td>
</tr>
<tr>
<td>(b) Selection Based on the Consultants' Qualifications</td>
</tr>
<tr>
<td>(c) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(d) Quality Based Selection</td>
</tr>
<tr>
<td>(e) Single Source Selection</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>
</tr>
<tr>
<td>(g) Single-source procedures for the Selection of Individual Consultants</td>
</tr>
</tbody>
</table>
D. **Review by the Association of Procurement Decisions**

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

E. **Procurement of Emergency Expenditures under the IRM Part of the Project**

Notwithstanding any provision to the contrary in this Section, Emergency Expenditures required for the IRM Part of the Project shall be procured in accordance with the procurement methods and procedures set forth in the IRM Operations Manual.

**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: (a) repay the Preparation Advance in accordance with Section 2.07(a) of the General Conditions; (b) finance the Front-end Fee in accordance with Section 3.01(a) of the General Conditions; and (c) finance 100% (inclusive of Taxes) of Eligible Expenditures.

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in Dollars)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, non-consulting services, consulting services, Operating Costs and Training for the Project</td>
<td>34,400,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Works for Participating Provinces (i), (ii), (iii) and (iv)</td>
<td>113,640,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Works for Participating Provinces (v) and (vi)</td>
<td>48,460,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Refund of Preparation Advance</td>
<td>3,000,000</td>
<td>Amount payable pursuant to Section 2.07(a) of the General Conditions</td>
</tr>
<tr>
<td>(5) Front-end Fee</td>
<td>500,000</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 3.01(a) of the General Conditions</td>
</tr>
<tr>
<td>(6) Emergency Expenditure under Part 3 of the Project</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>200,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

### B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

   (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount of one million Dollars (USD$1,000,000) equivalent may be made for payments made prior to this date but on or after November 1, 2016, for Eligible Expenditures under Category 1; or

   (b) for Eligible Expenditures under Category 3 of the Project (for works pertaining to Southern and Muchinga Provinces), unless and until the
Association is satisfied, and notified the Recipient of its satisfaction, that the Recipient has entered into at least one OPRC for rehabilitation of road(s) in any of the GRZ Priority Provinces under the GRZ's Ten-Year National OPRC Roll-Out Program; or

(c) under Category (6) for Emergency Expenditures under Part 3 of the Project, unless and until the Association is satisfied, and notified the Recipient of its satisfaction, that all of the following conditions have been met in respect of said activities:

(i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the IRM Part in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;

(ii) the Recipient has prepared and disclosed all safeguards instruments required for said activities, and the Recipient has implemented any actions which are required to be taken under said instruments, all in accordance with the provisions of Section I.E of Schedule 2 to this Agreement;

(iii) the Recipient’s Coordinating Authority has adequate staff and resources, in accordance with the provisions of Section I.F of Schedule 2 to this Agreement, for the purposes of said activities; and

(iv) the Recipient has adopted an IRM Operations Manual in form, substance and manner acceptable to the Association and the provisions of the IRM Operations Manual remain, or have been updated in accordance with the provisions of Section I.F.1 of this Schedule 2 so as to be appropriate for the inclusion and implementation of said activities under the IRM Part.

2. The Closing Date is December 31, 2025.
SCHEDULE 3

Amortization Schedule

Amortization Schedule for a 30-year Credit

<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 of every year commencing on May 15, 2026 to and</td>
<td>2.35%</td>
</tr>
<tr>
<td>including May 15, 2040 and</td>
<td></td>
</tr>
<tr>
<td>and</td>
<td></td>
</tr>
<tr>
<td>commencing on November 15, 2040 to and</td>
<td>2.45%</td>
</tr>
<tr>
<td>ending on November 15, 2046</td>
<td></td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid.
APPENDIX

Section I. Definitions

1. “Administrative, Financial, Procurement and Accounting Manual” or “AFPAM” means the Administrative, Financial, Procurement and Accounting Manual of NRFA dated March 2010, as the same may be updated from time to time in agreement with the Association.

2. “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.


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


6. “Coordinating Authority” means the entity or entities designated by the Recipient in the IRM Operations Manual and approved by the Association pursuant to Section F of Schedule 2 to this Agreement, to be responsible for coordinating the IRM Part of the Project.

7. “Eligible Crisis or Emergency” means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.

8. “Emergency Expenditure” means any of the Eligible Expenditures set forth in the IRM Operations Manual in accordance with the provisions of Section F of Schedule 2 to this Agreement and required for the activities included in the IRM Part of the Project.

9. “Environmental and Social Assessment” and “ESIA” mean the assessment to be carried out in accordance with the ESMF by the Recipient through relevant Participating Agencies, 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.

10. “Environmental and Social Management Framework” or “ESMF” means the Environmental and Social Management Framework prepared and adopted by the Recipient and disclosed in-country on February 8, 2017, and in Bank’s Infoshop on February 8, 2017, 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. “Environmental and Social Management Plan” or “ESMP” means any environmental management plan, in form and substance satisfactory to the Association, to be prepared by the Recipient on the basis of the ESMF, and giving details of measures to manage potential environmental risks and mitigate, reduce and/or offset adverse environmental impacts associated with the implementation of any Subproject, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms, as any such plan may be amended and/or supplemented from time to time with prior written approval of the Association; and “ESMPs” means, collectively, all or several such plans.

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. “Grievance Redress Mechanism” means the rules and procedures for systematically resolving concerns, complaints, grievances, disputes, or conflicts raised by individuals or groups within communities affected by the Project.


16. “GRZ Priority Provinces” means the following provinces of the Recipient: Western Province, North-Western Province, Copperbelt Province, and Lusaka Province.
17. "Immediate Response Mechanism Operations Manual" and "IRM Operations Manual" each means the operations manual referred to in Section F of this Agreement, to be adopted by the Recipient for the IRM Part of the Project in accordance with the provisions of said Section.

18. "IRM Part of the Project" and "IRM Part" each means Part 3 of the Project.

19. "Labor-Based Employment Creation Policy" means the draft policy document on labor-based employment creation for the Recipient dated November 2015, being considered by GRZ as of the date of this Agreement.

20. "LRA" means Local Road Authority of the Recipient and any successor thereto and "LRAs" mean more than one LRA.


23. "MHID" means Ministry of Housing and Infrastructure Development of the Recipient and any successor thereto.


26. "NRFA" or "National Road Fund Agency" means the Recipient's agency responsible for administering road fund established and operating pursuant to Act no. 13 of 2002 of the Law of the Recipient and any successor thereto.

27. "Operating Costs" means the reasonable incremental expenses based on annual budgets approved by the Association, incurred by the Project Implementing Entity and Participating Agencies, as the case may be, on account of Project implementation, management, and monitoring, including office supplies and consumables; communication costs; operation and maintenance of office vehicles and equipment; per diem and national and international travel costs and accommodations for Project staff; workshop and meeting costs; reasonable bank charges; and allowances and salaries of the Project's contractual staff (but excluding the salaries of the Recipient's civil/public servants); as well as the incremental costs of enabling NCC to conduct inspections and to prepare reports on Social and Environmental Safeguards, with particular emphasis on Social Safeguards and the application of the Grievance Redress Mechanism.
28. “OPRC” means output and performance based road contracting arrangements whereby contractors are responsible for not only initial rehabilitation but also subsequent maintenance of the roads.

29. “Participating Agencies” means MHID, RDA, MLG, LRAs, MTC, RTSA and NCC and “Participating Agency” refers to any one of them.

30. “Participating Provinces” has the meaning ascribed to it in paragraph 1 of Part 1 of Schedule 1 and a “Participating Province” refers to any one of them.

31. “PFR” means a primary feeder road;

32. “Preparation Advance” means the advance referred to in Section 2.07(a) of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association and the Recipient on January 31, 2017.


34. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 28, 2017 and provided for under Section IV of the Procurement Guidelines, as the same may be updated from time to time in agreement with the Association.

35. “Project Implementing Entity” means NRFA.


37. “Project Implementation Memorandum of Understanding” means a memorandum of understanding to be entered into among the Recipient and the Participating Agencies in form and substance satisfactory to the Association, whereby the Participating Agencies shall adhere, as appropriate, to the implementation of the Project, in accordance with the requirements of this Agreement and the Project Implementation Plan.

38. “Project Implementation Plan” means the plan adopted or to be adopted by the Recipient, through the relevant Participating Agencies, in form and substance satisfactory to the Association, setting forth detailed guidelines and procedures for the implementation, supervision, monitoring and evaluation of the Project, roles and responsibilities of each Participating Agency, Social and Environmental Safeguards, corruption and fraud mitigation measures, the procedure and criteria for selecting PFRs for the Project and such other arrangements and procedures as may be necessary for the effective implementation of the Project, as such Project
Implementation Plan may be amended from time to time with the prior written consent of the Association.


40. “Resettlement Action Plan” or “RAP” means any resettlement action plan of the Recipient, in form and substance satisfactory to the Association, giving details of a program of actions, measures and policies for compensation and resettlement of Affected Persons, including the magnitude of displacement, compensation and resettlement arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with its terms, as any such RAP may be amended from time to time with prior written agreement of the Association; and “RAPS” means, collectively, all such plans.

41. “Resettlement Policy Framework” and “RPF” mean a document in form and substance acceptable to the Association, and disclosed in-country on February 8, 2017, and in the Bank’s Infoshop on February 8, 2017, 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.

42. “RTSA” means Road Transport and Safety Agency of the Recipient and any successor thereto.

43. “Safeguards Instruments” means the ESMF, the RPF and any Supplemental Social and Environmental Safeguards Instruments.

44. “Subproject” means any package of construction, rehabilitation and maintenance activities to be carried out under the Project.

45. “Subsidiary Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make of the proceeds of the Credit available to the Project Implementing Entity.

46. “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.

47. “Training” means the reasonable costs of training under the Project, based on annual plans approved by the Association, and attributable to national and international seminars, workshops, and study tours, along with national and international 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.

48. "Transport Sector Policy" means the draft policy document on the development of transport sector for the Recipient, dated April 27, 2016, being considered by GRZ as of the date of this Agreement.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. In the Table of Contents, the references to Sections, Section names and Section numbers are modified, as necessary, to reflect the modifications set forth in the paragraphs below.

2. Section 2.07 (Refinancing Preparation Advance) is retitled as "Refinancing Preparation Advance; Capitalizing Front-end Fee", amended by adding a new paragraph (b), and modified to read as follows:

   "Section 2.07. Refinancing Preparation Advance; Capitalizing Front-end Fee

   (a) If the Financing Agreement provides for the repayment out of the proceeds of the Financing of an advance made by the Bank or the Association ("Preparation Advance"), the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Financing Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Association shall pay the amount so withdrawn to itself or the Bank, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.

   (b) Except as otherwise provided in the Financing Agreement, the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date and pay to itself the amount of the Front-end Fee payable pursuant to Section 3.01 (a)."

3. Section 3.01 (Commitment Charge) is retitled as "Front-end Fee; Commitment Charge", amended by adding a new paragraph (a), and modified to read as follows:

   "Section 3.01. Front-end Fee; Commitment Charge

   (a) The Recipient shall pay the Association a front-end fee on the Credit amount at the rate specified in the Financing Agreement (the "Front-end Fee")."
(b) The Recipient shall pay the Association a commitment charge on the Unwithdrawn Credit Balance at the rate specified in the Financing Agreement (the “Commitment Charge”). The Commitment Charge shall accrue from a date sixty days after the date of the Financing Agreement to the respective dates on which amounts are withdrawn by the Recipient from the Credit Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date.

4. Section 3.02 (Service Charge) is retitled as “Interest Charge” and modified to read as follows:

“Section 3.02. 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 Charges shall be computed on the basis of a 360-day year of twelve 30-day months.”

5. Section 3.03 (Repayment of the Credit) is modified by deleting paragraph (b) in its entirety and amending the remaining paragraph (a) to read as follows:

“Section 3.03. Repayment of the Credit

The Recipient shall repay the Withdrawn Credit Balance to the Association in installments as provided in the Financing Agreement.”

6. In the Appendix, Definitions, all relevant references to Sections, numbers and paragraphs are modified, as necessary, to reflect the modifications set forth in paragraphs 1 through 5 above.

7. Paragraph 28 of the Appendix (“Financing Payment”) is modified to read as follows:

“28. “Financing Payment” means any amount payable by the Recipient to the Association pursuant to the Financing Agreement or these General Conditions, including (but not limited to) any amount of the Withdrawn Credit Balance, interest, the Front-end Fee and the Commitment Charge.”

8. A new paragraph 30 is inserted in the Appendix with the following definition of “Front-end Fee”, and the subsequent paragraphs are renumbered accordingly:

“30. “Front-end Fee” means the fee specified in the Financing Agreement for the purpose of Section 3.01 (a).”

9. A new paragraph 33 is inserted in the renumbered Appendix with the following
definition of “Interest Charge”, and the subsequent paragraphs are renumbered accordingly:

“33. “Interest Charge” means the interest charge specified in the Financing Agreement for the purpose of Section 3.02.”

10. Renumbered paragraph 38 (originally paragraph 36) of the Appendix (“Payment Date”) is modified by deleting the words “Service Charges” and inserting the words “Interest Charges”.

11. Renumbered paragraph 51 (originally paragraph 49) of the Appendix (“Service Charge”) is deleted in its entirety, and the subsequent paragraphs are renumbered accordingly.