Cooperation in International Waters in Africa Trust Fund
Grant Agreement
(Zambezi River Basin Development Project)

between

ZAMBEZI RIVER AUTHORITY

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as Administrator of the Cooperation in International Waters in Africa Trust Fund

Dated July 3, 2014
CIWA GRANT NUMBER TF016238

COOPERATION IN INTERNATIONAL WATERS IN AFRICA TRUST FUND
GRANT AGREEMENT


WHEREAS (A) the Recipient: (i) having satisfied itself as to the feasibility and priority of the project described in Schedule 1 to the Agreement (the "Project"); (ii) has requested the World Bank, acting as administrator of the Cooperation in International Waters in Africa (CIWA) Trust Fund, to assist in the financing of the Project;

(B) said request has been approved in accordance with the rules and procedures governing the Trust Fund; and

WHEREAS The World Bank has agreed, on the basis, inter alia, of the foregoing, to extend a grant out of the Cooperation in International Waters in Africa (CIWA) Trust Fund to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE, the Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012 ("Standard Conditions") with the modifications set forth in Section I of 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 Standard Conditions or in this Agreement.

Article II
The Project

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall carry out the Project in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank 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 III
The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to six million United States Dollars ($6,000,000) ("Grant") to assist in financing the Project.

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

3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Effectiveness; Termination

4.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied.

(a) The execution and delivery of this Agreement on behalf of the Recipient has been duly authorized or ratified by all necessary corporate action.

(b) The Recipient has appointed an internal auditor in accordance with Section II.B.1 of Schedule 2 to this Agreement.

(c) The Recipient has adopted a Project Implementation Manual in accordance with Section I.B.1 of Schedule 2 to this Agreement.

(d) The Recipient has established the Project Steering Committee and the Project Management Unit in accordance with Sections I.A.3 and I.A.5, respectively of Schedule 2 to this Agreement.

4.02. As part of the evidence to be furnished pursuant to Section 4.01 (a), there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Recipient, showing that on behalf of the Recipient, that this Agreement has been duly authorized or ratified by all corporate action, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms.
4.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 4.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

4.04. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article V
Recipient's Representative; Addresses

5.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its chief executive.

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

Kariba House
32 Cha Cha Cha Road
P.O. Box 30233 Lusaka
ZAMBIA

Facsimile:
260-1-227498

5.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable: INDEVAS
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391
AGREED at Lusaka, Zambia as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as administrator of the Cooperation in
International Waters in Africa Trust Fund

By

Authorized Representative

Name: Vijay Pillai

Title: Acting Country Director
for Zambia, Zimbabwe & Malawi

ZAMBEZI RIVER AUTHORITY

By

Authorized Representative

Name: Munyaradzi Crispin Munyaradzi

Title: Chief Executive
SCHEDULE 1
Project Description

The objective of the Project is to advance the preparation of the Batoka Gorge Hydro-electric Scheme and strengthen cooperative development within the Zambezi River Basin.

The Project consists of the following parts:

Part 1: Feasibility Studies for the Batoka Gorge Hydro-electric Scheme

Carrying out a program of activities to support the development of hydropower potential within the Zambezi River Basin, such program to include the review and updating of the feasibility studies of the Batoka Gorge Hydro-electric Scheme, all through the provision of technical assistance, carrying out of Training, financing of non-consultant services and associated Operating Costs.

Part 2: Environmental and Social Assessment of the Batoka Gorge Hydro-electric Scheme

Carrying out a program of activities to support the development of hydropower potential within the Zambezi River Basin, such program to include carrying out of environmental and social impact assessment studies for the Batoka Gorge Hydro-electric Scheme; all through the provision of technical assistance and Training and financing of associated Operating Costs.

Part 3: Transaction Advisory Services for the Batoka Gorge Hydro-electric Scheme

Carrying out a program of activities to support the development of hydropower potential within the Zambezi River Basin, such program to include the provision of technical assistance and legal and financial transaction advisory services in support of the Batoka Gorge Hydro-electric Scheme; all through the provision of technical assistance, Training and financing of associated Operating Costs.

Part 4: Legal and Institutional Support to the Zambezi River Authority

Carrying out a program of activities to enhance the legal and institutional framework for the operation and safety of the Kariba hydropower complex, and enhance the Recipient's capacity for water resource management and control within the Zambezi River Basin, all through the provision of technical assistance and the financing of associated Operating Costs.

Part 5: Dam Break Analysis for the Zambezi River Basin

Carrying out a program of activities to analyze the implications of a dam break within the Zambezi River Basin and to enhance the Recipient's capacity for water resource management and control within the Zambezi River Basin, all through the provision of technical assistance, financing of non-consultant services and associated Operating Costs.

Part 6: Project Management

Support to Project implementation, monitoring and evaluation through the provision of technical assistance and Training, and the financing of Operating Costs.
SCHEDULE 2
Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

Project Manager

1. The Recipient shall maintain, throughout the implementation of the Project, a Project Manager with qualifications and skills satisfactory to the World Bank with the responsibility for overall day-to-day implementation of the Project.

Project Steering Committee

2. The Recipient shall establish, and thereafter maintain, throughout the implementation of the Project, a Project Steering Committee with terms of reference satisfactory to the World Bank and with adequate resources to carry out its responsibilities under the Project.

3. Without limitation upon the generality of the provisions of paragraph A.2 above, the functions of the Project Steering Committee shall be to: (a) endorse all Project plans and budgets; (b) facilitate communication between Member Countries and coordinate all inter-governmental matters; (c) facilitate obtaining consents, permits and approvals required from the Member Countries; (d) facilitate the mobilization of funds for the Project; (e) facilitate the integration of the Batoka Gorge Hydroelectric Scheme into the national plans and public sector investor programs of Member Countries; and (f) oversee the development of the Project.

Project Management Unit

4. The Recipient shall establish, and thereafter maintain, throughout the implementation of the Project, a Project Management Unit with terms of reference satisfactory to the World Bank and with adequate resources to carry out its responsibilities under the Project.

5. Without limitation upon the generality of the provisions of paragraph A.4 above, the Project Management Unit shall be responsible for: (a) the day-to-day management of the Project; and (b) the implementation of the decisions of the Project Steering Committee.

B. Project Implementation Manual

1. The Recipient shall: (a) (i) prepare, under terms of reference satisfactory to the World Bank, and furnish to the World Bank for its approval, a Project implementation manual containing detailed guidelines and procedures for the implementation of the Project, including in the areas of monitoring and evaluation, procurement, coordination, social and environmental safeguards, financial, administrative and accounting procedures, corruption and fraud mitigation measures and such other arrangements and procedures as
shall be required for the Project; and (ii) thereafter adopt said manual, as shall have been approved by the World Bank, and carry out the Project in accordance therewith (Project Implementation Manual); and (b) except as the World Bank shall otherwise agree in writing, not amend or waive, or permit to be amended or waived any provision of the Project Implementation Manual.

2. In case of a conflict between the provisions of the Project Implementation Manual and this Agreement, those of this Agreement shall prevail.

C. Anti-Corruption

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

D. Safeguards

The Recipient shall ensure that all studies and technical assistance under the Project are undertaken pursuant to terms of reference reviewed and found satisfactory by the World Bank, such terms of reference shall be designed to ensure that said studies and technical assistance are consistent with the World Bank’s environmental and social safeguard policies, and take into account the Recipient’s own guidelines relating to the environment and social aspects.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank 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 World Bank not later than forty-five (45) days after the end of the period covered by such report.

2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall: (a) ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions; and (b) in this regard engage not later than the Effective Date, and thereafter maintain through-out project implementation, an additional internal auditor with qualifications, experience, and terms of reference satisfactory to the World Bank.

2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.
3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such 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 World Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. Procurement and Consultant Guidelines. All goods and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

   (a) Section I of the Procurement Guidelines in the case of goods and non-consulting services, and Sections I and IV of the Consultant Guidelines in the case of consultants’ services; and

   (b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines ("Procurement Plan").

2. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Non-consulting Services

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

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

<table>
<thead>
<tr>
<th>(a) Limited International Bidding</th>
</tr>
</thead>
<tbody>
<tr>
<td>(b) National Competitive Bidding <em>(subject to the additional provisions set out in paragraph 3 below)</em></td>
</tr>
<tr>
<td>(c) Shopping</td>
</tr>
<tr>
<td>(d) Direct Contracting</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 international bidding procedure set forth in the Public Procurement Act, 2008, Act No. 12 of 2008 of Zambia 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" (January 2011) (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.
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 (iii) where relevant capability of construction and/or manufacturing facilities.

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.

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.

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.

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) Quality-Based Selection</td>
</tr>
<tr>
<td>(b) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(c) Least-Cost Selection</td>
</tr>
<tr>
<td>(d) Selection Based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(e) Single-source Selection of consulting firms</td>
</tr>
<tr>
<td>(f) 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 World Bank of Procurement Decisions**

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

Section IV. **Withdrawal of Grant Proceeds**

A. **General**

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, consultants' services, Non-Consultant Services, Training and Operating Costs</td>
<td>6,000,000</td>
<td>100 %</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>6,000,000</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 for payments made prior to the date of this Agreement except that withdrawals up to an aggregate amount not to exceed $800,000 equivalent may be made for payments for Eligible Expenditures made not more than twelve (12) months prior to the date of this Agreement.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is September 30, 2016.
APPENDIX

I. Modifications to the Standard Conditions

The Standard Conditions are modified as follows:

The reference to “Member Country” in Section 17 of the Appendix to the Standard Conditions and in this Agreement means the member of the World Bank in whose territory the Project is carried out or any of such member’s political or administrative subdivisions. If the Grant is extended by the World Bank to such member as a party to the Grant Agreement, the term “Member Country” and “Recipient” refer to the same entity. If the Project is carried out in the territory of more than one member of the World Bank, “Member Country” refers separately to each such member.

II. Definitions


2. “Batoka Gorge Hydro-electric Scheme” means the proposed hydroelectric scheme at the Batoka Gorge of the Zambezi River.

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


5. “Non-consulting services” means services bid and contracted on the basis of the performance of a measurable physical output, and for which performance standards can be clearly identified and consistently applied.

6. “Operating Costs” means the incremental expenses incurred by the Recipient for Project supervision, management, and monitoring, on account of office space rental and utilities, office supplies and equipment, bank charges, communications, vehicle operation, maintenance and insurance, building and equipment maintenance, Project related travel costs, advertising and Project staff salaries (other than consultants’ services), but excluding salaries of officers of the Recipient.


8. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated October 31, 2013 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.
9. "Project Implementation Manual" means the Project Implementation Manual, in form and substance acceptable to the World Bank, prepared by the Recipient in accordance with the provisions of Section I.B (1) of Schedule 2 to this Agreement, as the same may be amended in accordance with the provisions of said Section.

10. "Project Manager" means the designated team leader responsible for the day-to-day implementation of the Project and referred to in Section I.A (1) of Schedule 2 to this Agreement.

11. "Project Management Unit" means the unit established for purposes of the Batoka Gorge Hydro-electric Scheme and this Project, referred to in Section I.A (4) of Schedule 2 to this Agreement and comprising three representatives of the Zambezi River Authority, two representatives of ZESCO Ltd and two representatives of ZPC.

12. "Project Steering Committee" means the committee established for purposes of the Batoka Gorge Hydro-electric Scheme and this Project, referred to in Section I.A (2) of Schedule 2 to this Agreement and comprising directors from the ministries of Member Countries responsible for energy as chairperson and co-chairperson, one senior official from the Ministry of Finance of each Member Country, two senior officials from the power utilities in each Member Country and representatives of the Zambezi River Authority.

13. "Training" means the reasonable costs of training under the Project, based on annual budgets approved by the World Bank, and attributable to seminars, workshops, study programs and tours, along with tuition, 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.

14. "Zambezi River Basin" means the part of the Zambezi river common to the boarders of the Member Countries.


16. "ZESCO Limited" means the power utility company wholly owned by the Republic of Zambia and incorporated under the Companies Act of Zambia, Chapter 388 (as the same may be amended from time to time), and responsible for the generation, transmission, distribution and supply of electricity in the Republic of Zambia's territory, or the legal successor thereto.

17. "ZPU" means Zimbabwe Power Company, the power generating utility company of the Republic of Zimbabwe incorporated under the Companies Act of Zimbabwe, Title 24:03, as the same may be amended from time to time, or the legal successor thereto.