
GRANT NUMBER E3920-ZM (Portion A of the Financing)
GRANT NUMBER E3930-ZM (Portion B of the Financing)

Financing Agreement

**(First Zambia Climate and Economic Resilience Development Policy Financing with
a Catastrophe Deferred Drawdown Option)**

between

REPUBLIC OF ZAMBIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF ZAMBIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, *inter alia*, of: (i) the actions which the Recipient has already taken under the Program and which are described in Section I.A of Schedule 1 to this Agreement; and (ii) the Recipient’s maintenance of an adequate macroeconomic policy framework. The Recipient and the Association therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient a grant, which is deemed as Concessional Financing for purposes of the General Conditions, and is structured in two portions, as follows (the “Financing”);
 - (a) an amount equivalent to eighteen million eight hundred thousand Special Drawing Rights (SDR 18,800,000) (“Portion A of the Financing”); and
 - (b) an amount equivalent to fifty-six million four hundred thousand Special Drawing Rights (SDR 56,400,000) which includes a deferred draw-down option (“Portion B of the Financing”).
- 2.02. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance of Portion A of the Financing.
- 2.03. The Payment Dates are March 15 and September 15 in each year.
- 2.04. The Payment Currency is Dollar.

- 2.05. (a) If, prior to the Closing Date, the Recipient requests an extension of the Closing Date the Association may provide such extension on such terms and conditions as agreed by the Association.
- (b) Notwithstanding the provisions of sub-paragraph (a) above, the Closing Date shall not be extended if at the time of Recipient's request, the events specified in sub-paragraph (b) (i) of Section 3.05 of the General Conditions have occurred.
- 2.06. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Recipient shall promptly furnish to the Association such information relating to the provisions of this Article II as the Association may, from time to time, reasonably request.

ARTICLE III — PROGRAM

- 3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:
- (a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient's macroeconomic policy framework and the progress achieved in carrying out the Program;
- (b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and
- (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following, namely, situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following, namely:
(a) the Association is satisfied with the progress achieved by the Recipient in carrying out the Program; and (b) with the adequacy of the Recipient's macroeconomic policy framework.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 5.03. For purposes of Section 10.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is its minister responsible for finance.
- 6.02. For purposes of Section 11.01 of the General Conditions:
- (a) the Recipient's address is:
- Ministry of Finance and National Planning
P.O. Box 50062
Lusaka, Zambia; and
- (b) the Recipient's Electronic Address is:
- Telex: Facsimile:
42221 (+260 211) 253494/251078
- 6.03. For purposes of Section 11.01 of the General Conditions:
- (a) the Association's address is:
- International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and
- (b) the Association's Electronic Address is:
- Telex: Facsimile:
248423 (MCI) 1-202-477-6391

AGREED as of the Signature Date.

REPUBLIC OF ZAMBIA

By

Hon. Situmbeko Musokotwane

Authorized Representative

Hon. Situmbeko Musokotwane

Name: _____

Title: _____ Minister of Finance & National Planning

Date: _____ 20-Dec-2024

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Achim Fock

Authorized Representative

Name: _____ Achim Fock

Title: _____ Country Manager

Date: _____ 19-Dec-2024

SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions Taken under the Program

The actions taken by the Recipient under the Program include the following:

Pillar A – Enhance fiscal management and resilience

1. To enhance fiscal resilience to disasters and other shocks and manage mineral revenue volatility, the Recipient, through its Ministry of Finance and National Planning, has submitted to Parliament a *National Budget Policy Statement* which *inter alia* provides that revenues derived from mineral royalty above the budgeted projections shall be channeled to a stabilization fund.
2. To strengthen fiscal risk management of sovereign credit, the Recipient has, through its Ministry of Finance and National Planning, issued the *Public Debt Management (General) Regulations, 2024*, which establish a credit risk assessment framework for loans raised by a public body and guarantees issued by the Recipient.
3. To mobilize non-debt financing and generate carbon revenues to support resilient climate mitigation and adaptation investments, the Recipient has, through its Cabinet, submitted to Parliament the *Green Economy and Climate Change Bill, 2024*, which regulates the participation project developers in carbon markets including *inter alia* the issuance of certificates of authorization to trade in carbon markets and registration of verifiers (as evidenced by the Recipient's National Assembly Order Paper dated October 31, 2024).

Pillar B – Promote private-sector resilience in enabling sectors

4. To strengthen private sector participation in the development of a more resilient economy, the Recipient has, through its Ministry of Finance and National Planning, issued the *Public-Private Partnership (General) Regulations, 2024*, which *inter alia* prescribe project selection, procurement and implementation rules including the incorporation of climate change practices in projects to ensure climate resilience and adaptability of infrastructure.
5. To promote renewable energy generation and private investments in the sector, the Recipient has, through its Ministry of Energy, issued: (i) *Electricity (Open Access) Regulations, 2024*, which grant independent power producers open access to the transmission and distribution system; and (ii) *Electricity (Net Metering) Regulations, 2024*, which permit consumers to generate renewable energy and receive credits for the surplus electricity fed back into the grid.

Pillar C – Strengthen disaster risk management and climate resilience

6. To improve disaster risk reduction, preparedness, and response, the Recipient has, through its Cabinet, approved the *Disaster Risk Management Policy, 2024*, which *inter alia* establishes a multi-hazard early warning system tailored to priority sectors (as evidenced by the letter from the Office of the President Cabinet office no. CO.101/4/744 SEC dated October 29, 2024).
7. To strengthen the climate resilience of the social protection system, the Recipient has, through its Cabinet, approved the *2024 National Social Protection Policy*, which *inter alia* mainstreams resilience and preparedness of poor and vulnerable households, especially women, against the impacts of climate shocks (as evidenced by the letter from the Office of the President Cabinet office no. CO.101/4/745 SEC dated November 1, 2024).
8. To secure climate-resilient water storage and supply, the Recipient has, through its Ministry of Water Development and Sanitation, issued the *Water Resources Management (Water Storage and Harvesting) Regulations, 2024*, which *inter alia*: (i) sets out procedures for the construction, maintenance and operation of water harvesting and storage infrastructure; and (ii) embed strategic water emergency interventions including drought response planning, and water supply and demand management in the implementation water harvesting and storage.

Section II. Availability of Financing Proceeds

- A. **General.** The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.
- B. **Allocation of Financing Amounts.** The Financing is allocated in two withdrawal tranches, from which the Recipient may make withdrawals. The allocation of the amounts of each of the tranches of the Financing is set out in the table below:

Allocations	Amount of the Financing Allocated under Portion A of the Financing (expressed in SDR)	Amount of the Financing Allocated under Portion B of the Financing (expressed in SDR)
(1) First Withdrawal Tranche	18,800,000	0
(2) Second Withdrawal Tranche	0	56, 400,000
TOTAL AMOUNT	18,800,000	56, 400,000

C Withdrawal of Financing Proceeds.

1. No withdrawal shall be made under the First Withdrawal Tranche, unless the Association is satisfied: (a) with the Program being carried out by the Recipient; and (b) with the adequacy of the macroeconomic framework.
2. No withdrawal shall be made under the Second Withdrawal Tranche unless the Association is satisfied, based on evidence satisfactory to it, that: (a) the President of the Recipient has declared a “State of Disaster” in accordance with Section 36 of the Disaster Management Act of 2010, or such other law applicable to DRM, as discussed and agreed with the Association, as may be in force in Zambia at the time; and (b) there is an imminent or occurring: (i) natural disaster as a result of natural geological phenomena, including but not limited to earthquakes, volcanoes, and landslides, hydro-meteorological phenomena such as floods, droughts, tropical cyclones, and El Niño / La Niña events; or (ii) health disaster as a result of a plague or epidemic of disease that threatens the life or well-being of a community.
3. Notwithstanding the foregoing, if, at any time prior to the receipt by the Association of a request for withdrawal of an amount under the Second Withdrawal Tranche, the Association determines that a review of the Recipient’s progress in carrying out the Program is warranted, the Association shall give notice to the Recipient to that effect. Upon the giving of such notice, no withdrawals shall be made of the Unwithdrawn Financing Balance corresponding to Portion B of the Financing unless and until the Association has notified the Recipient of its satisfaction, after an exchange of views as described in paragraphs (a) and (b) of Section 3.01 of Article III of this Agreement, with the progress achieved by the Recipient in carrying out the Program.
4. No withdrawal shall be made of the Second Withdrawal Tranche unless the Association is satisfied, based on evidence satisfactory to it, that the situation described in paragraph (c) of Section 3.01 of Article III of this Agreement has been resolved.

D. Deposit of Financing Amounts.

The Recipient, within thirty (30) days after the withdrawal of each of the First Withdrawal Tranche and Second Withdrawal Tranche from the Financing Account, shall report to the Association: (a) the exact sum received into the account referred to in Section 2.03 (a) of the General Conditions; (b) the details of the account to which the Zambian Kwacha equivalent of the Financing proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Recipient’s budget management systems; and (d) the statement of receipts and disbursement of the account referred to in Section 2.03 (a) of the General Conditions.

E. Closing Date

The Closing Date is December 31, 2027

APPENDIX

Section I. Definitions

1. “Cabinet” means the Recipient’s Cabinet of Ministers.
2. “Disaster Management Act” means the Recipient’s Disaster Risk Management Act of 2010, Act No, 13 of 2010.
3. “Disaster Risk Management Policy 2024” means the Recipient’s Disaster Risk Management Policy 2024, which succeeds the Disaster Management Policy of 2015.
4. “DRM” means Disaster Risk Management.
5. “Electricity (Open Access) Regulations” means Electricity (Open Access) Regulations, 2024, Statutory Instrument No. 40 of 2024 published in the Supplement to the Recipient’s Government Gazette dated July 19, 2024.
6. “Electricity (Net Metering) Regulations” means Electricity (Net Metering) Regulations, 2024, Statutory Instrument No. 38 of 2024 published in the Supplement to the Recipient’s Government Gazette dated July 5, 2024.
7. “El Niño” means a large-scale ocean-atmosphere climate interaction linked to a periodic warming in sea surface temperatures across the central and east-central Equatorial Pacific.
8. “Green Economy and Climate Change Bill, 2024” means the Recipient’s Green Economy and Climate Change Bill, 2024, Bill No. N.A.B. 18, 2024 dated 17th October 2024.
9. “First Withdrawal Tranche” means the amount of Financing allocated to the category entitled “First Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
10. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated December 14, 2018 (Last revised on July 15, 2023), with the modifications set forth in Section II of this Appendix.
11. “La Niña” means a large-scale ocean-atmosphere climate interaction linked to a periodic cooling in sea surface temperatures across the central and east-central Equatorial Pacific.
12. “Ministry of Energy” means the Recipient’s Ministry of Energy.

13. “Ministry of Finance and National Planning” means the Recipient’s Ministry Finance and National Planning.
14. Ministry of Water, Development and Sanitation” means the Recipient's Ministry of Water, Development and Sanitation.
15. “National Budget Policy Statement” means the Recipient’s National Budget Policy Statement prepared by the Minister responsible for Finance, pursuant to Section 41 of the National Planning and Budgeting Act, Act No. 1 of 2020, which includes an outline of economic and fiscal policies proposed for the Recipient’s Financial Year 2025, and was presented to Parliament on September 27, 2024 as published on the Parliament website https://www.parliament.gov.zm/sites/default/files/documents/articles/2025%20BUDGET%20SPEECH%20%20FINAL_240927_164702.pdf.
16. “2024 National Social Protection Policy” means the Recipient’s 2024 National Social Protection Policy, which succeeds the National Social Protection Policy 2014.
17. “Parliament” means the Recipient’s National Assembly.
18. “Portion A of the Financing” means the grant in the amount referenced in Section 2.01(a) of this agreement (Grant Number E3920-ZM), allocated to the category entitled “First Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
19. “Portion B of the Financing” means the grant in the amount referenced in Section 2.01(b) of this agreement (Grant Number E3930-ZM), allocated to the category entitled “Second Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
20. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated November 14, 2024, from the Recipient to the Association declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program’s objectives.
21. “Public Debt Management (General) Regulations, 2024” means the Recipient’s Public Management (General) Regulations, 2024, Statutory Instrument 37 of 2024, published in the Supplement to the Recipient’s Government Gazette dated June 28, 2024.

22. “Public Private Partnership (General) Regulations, 2024” means the Recipient’s Public Private Partnership (General) Regulations, 2024 Statutory Instrument 74 of 2024, published in the Supplement to the Recipient’s Government Gazette dated November 15, 2024
23. “Second Withdrawal Tranche” means the amount of Financing allocated to the category entitled “Second Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
24. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.
25. “Water Resources Management (Water Storage and Harvesting) Regulations, 2024” means the Recipient’s Water Resources Management (Water Storage and Harvesting) Regulations, 2024, Statutory Instrument 73 of 2024 published in the Supplement to the Recipient’s Government Gazette dated November 15, 2024.

Section II. Modifications to the General Conditions

1. In paragraphs originally numbered 79 of the Appendix, the term “Payment Date”, is modified to read as follows:

“79. “Payment Date” means each date specified in the Financing Agreement occurring on or after the date of the Financing Agreement on which Service Charges, Interest Charges, Commitment Charges, and other Credit charges and fees (other than the Front-end Fee) are payable, as applicable.”