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CREDIT NUMBER 5646-ZM

# Financing Agreement

(Lusaka Sanitation Project)

between

REPUBLIC OF ZAMBIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated MARCH 17, 2016

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**CREDIT NUMBER 5646-ZM**

**FINANCING AGREEMENT**

AGREEMENT dated XX APRIL 17, 2016, entered into between REPUBLIC OF ZAMBIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

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

**ARTICLE II — FINANCING**

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to forty seven million two hundred thousand Special Drawing Rights (SDR 47,200,000) (variously, “Credit” and “Financing”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are April 1 and October 1 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollars.

### **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 to be carried out by the Project Implementing Entity in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.
- 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 under the Project Agreement;
  - (b) a representation made by the Project Implementing Entity in or pursuant to the Project Agreement, or any representation or statement furnished by the Project Implementing Entity and intended to be relied upon by the Association in making the Financing was incorrect in any material respect;
  - (c) the Recipient has taken or permitted to be taken any action which would prevent or interfere with the performance by the Project Implementing Entity of its obligations under the Project Agreement; and
  - (d) IBRD or IDA has suspended in whole or in part the right of the Project Implementing Entity to make withdrawals under any agreement with IBRD or with IDA because of a failure by the Project Implementing Entity to perform any of its obligations under such agreement or any other agreement with IBRD or IDA.
- 4.02. The Additional Events of Acceleration consist of the following:
  - (a) the event specified in paragraph (a) of Section 4.01 of this Agreement occurs; and
  - (b) the events specified in paragraphs (b), (c) and (d) of Section 4.01 of this Agreement occur and are continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

**ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) the Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity;
  - (b) the Recipient has established the Project Steering Committee in accordance with the provisions of Section I.A.1 of Schedule 2 to this Agreement;
  - (c) the Project Implementing Entity has established the Project Implementation Unit in accordance with the provisions of Section I.A.4 of Schedule 2 to this Agreement; and
  - (d) the Project Implementing Entity has adopted the Project Implementation Manual in accordance with the provisions of Section I.B of Schedule 2 to this Agreement.
- 5.02. The Additional Legal Matter consists of the following, namely that 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.
- 5.04. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Recipient's Representative is its minister responsible for finance.
- 6.02. The Recipient's Address is:

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

Telex:            Facsimile:  
42221            (+260 211) 253494/251078

6.03. The Association's Address is:

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

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

AGREED at Lusaka, Zambia, as of the day and year first above written.

REPUBLIC OF ZAMBIA

By



Authorized Representative

Name: ALEXANDER B. CHIKWANDA

Title: MINISTER OF FINANCE

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: IDA - MARLENE RUITENBERG

Title: COUNTRY MANAGER

## **SCHEDULE 1**

### **Project Description**

The objective of the project is to increase access to sanitation services in selected areas of Lusaka and strengthen LWSC's capacity to manage sanitation services.

The Project consists of the following parts:

#### **Part A: Sewerage Improvements**

1. Implementing a range of investments to upgrade and expand sewerage systems in the Ngwerere and Manchinchi sewersheds such investments to include construction and upgrading of sewers, sewer networks, collectors, pumping stations, interceptors, and sewerage ponds, connecting customers to sewerage networks, and the carrying out of associated repairs.
2. Implementing a range of other investments to upgrade and expand sewerage systems and to connect customers in the Ngwerere and Manchinchi sewersheds in accordance with the selection criteria set out in the Project Implementation Manual and approved by the Association.

#### **Part B: On Site Sanitation**

1. Carrying out of sanitation marketing and hygiene promotion campaigns.
2. Promoting the use of and providing subsidies for the construction of on-site sanitation facilities.
3. Constructing decentralized wastewater systems.
4. Developing and manufacturing safe, easy and hygienic equipment for the emptying of latrines and supplying said equipment and associated tools to selected pit latrine emptying teams.
5. Developing a detailed service framework and operational manual and implementing a training package on fecal sludge management.
6. Designing and constructing fecal sludge treatment facilities and transfer stations.
7. Building the capacity of LWSC to deliver fecal sludge management and on-site sanitation services.

**Part C: Institutional Strengthening**

1. Financing of Operating Costs and other costs associated with Project management and implementation.
2. Implementing a technical assistance program to strengthen the institutional capacity and capability of the Project Implementing Entity to deliver sanitation services.
3. Carrying out of a technical audit of the performance contract between the Project Implementing Entity's management and its branch offices.
4. Providing technical assistance for the improvement of sanitation operations.
5. Training of the Project Implementing Entity's staff.
6. Carrying out of designs and feasibility studies and preparing of environmental and social safeguards instruments for priority sewer investments.
7. Supplying of equipment for laboratories and sewer maintenance.
8. Designing and implementing a comprehensive monitoring system and building the capacity of partners to carry out the monitoring.



## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

###### *Project Steering Committee*

1. The Recipient shall establish and maintain throughout project implementation a Project Steering Committee with terms of reference satisfactory to the Association and with adequate resources to carry out its functions.
2. Without limitation on the foregoing, the functions of the Project Steering Committee shall be to: (a) facilitate inter-institutional collaboration in the implementation of the Project; and (b) provide overall policy and strategic guidance for the Project.

###### *Project Implementing Entity*

3. The Recipient shall: (a) maintain throughout the implementation of the Project, the Project Implementing Entity with institutional structure, staffing, functions and powers satisfactory to the Association and with resources adequate to carry out its responsibilities under the Project; and (b) the Project Implementing Entity's Operating Revenue shall reflect the principles of Cost Recovery and be sufficient to cover Operating Expenses and Debt Service.
4. The Project Implementing Entity shall be responsible for the overall implementation of the Activities. Towards this end, the Recipient shall cause the Project Implementing Entity to establish and maintain throughout the implementation of the Project, the Project Implementation Unit (PIU) with an institutional framework, terms of reference and staffing acceptable to the Association, and with adequate resources to carry out its responsibilities in the implementation of the Activities.

##### B. Implementation Arrangements

###### *Project Implementation Manual*

1. The Recipient shall: (a) (i) ensure and cause the Project Implementing Entity to prepare, under terms of reference satisfactory to the Association, and furnish to the Association 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, criteria for the selection of investments, and such other arrangements and procedures as shall be required for the Project; and (ii) ensure, and cause the Project Implementing Entity to thereafter adopt and carry out the Project in accordance with such Project implementation manual as shall have been approved by the Association (Project Implementation Manual); and (b) ensure that, except as the Association 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.

*Annual Work Plans and Budget*

3. The Recipient shall ensure and cause the Project Implementing Entity, not later than December 15 of each year, to prepare and furnish to the Association, an annual program of activities proposed for implementation under the Project during the following Fiscal Year, together with a proposed budget for the purpose.
4. The Recipient shall ensure, and cause the Project Implementing Entity to exchange views with the Association on each such proposed annual work plan, and shall thereafter ensure and cause the Project Implementing Entity to adopt, and carry out such program of activities for such following Fiscal Year as shall have been agreed with the Association, as such plan may be subsequently revised during such following Fiscal Year with the prior written agreement of the Association (Agreed Annual Work Plan).

*Memorandum of Understanding*

5. To facilitate the carrying out of a comprehensive monitoring of the Project activities under Part C.8 of the Project, the Recipient shall cause the Project Implementing Entity to, not later than September 30, 2016, enter into a memorandum of understanding with each of LCC, MCDMCH and MoH, detailing mutual roles and responsibilities, resource commitments and staff allocations and other terms and conditions as may be approved by the Association (“Memorandum of Understanding”).

**C. Subsidiary Agreement**

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing 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 (“Subsidiary Agreement”) including the right of the Recipient to suspend or terminate the right of the Project Implementing Entity to use the proceeds of the financing, and to obtain a refund

of all or any part of the amount of the financing then withdrawn, upon the Project Implementing Entity's failure to perform any of its obligations under the Subsidiary Agreement, and which shall include the obligation of the Project Implementing Entity to:

- (a) repay the Credit made available under the Subsidiary Agreement ("Subsidiary Credit") in accordance with terms agreed between the Recipient and the Project Implementing Entity;
- (b) implement the Project with due diligence and efficiency and in conformity with appropriate administrative, technical, financial, economic, environmental and social standards and practices, including the provisions of the Anti-Corruption Guidelines and in accordance with the provisions of this Agreement;
- (c) (i) procure all goods and services required under the Project and to be financed out of the proceeds of the Financing in accordance with the provisions of Section III of this Schedule; and (ii) ensure that all such goods and services are used exclusively for the purposes of the Project;
- (d) ensure that all facilities relevant to the Project shall at all times be properly operated and maintained and that all necessary repairs and renewals of such facilities shall be made promptly as needed;
- (e) with respect to records management: (i) maintain records adequate to record the progress of the Project (including its cost and the benefits to be derived from it), to identify the goods and services financed out of the proceeds of the Financing and disclose their use in the Project; (ii) furnish such records and information as may be requested by the Recipient or the Association; and (iii) retain all records evidencing expenditures under the Project for the period of time specified in the General Conditions;
- (f) with respect to monitoring and evaluation: (i) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Recipient and the Association, the progress of the Project and the achievement of its objective; (ii) prepare periodic reports, in form and substance satisfactory to the Recipient and Association, integrating the results of such monitoring and evaluation activities and setting out measures recommended to ensure the continued efficient and effective execution of the Project, and to achieve its objective, each such report to cover a calendar quarter; (iii) furnish each such report to the Recipient and the Association within forty-five (45) days after the end of such period; and (iv) prepare, and furnish to the Recipient a final report, of such scope and in such detail as the Recipient and the Association shall reasonably request, on the

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

- (g) with respect to financial management: (i) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Recipient and the Association, both in a manner adequate to reflect its operations and financial condition, including the operations, resources and expenditures related to the Project; (ii) avail the records pertaining to the Project to external and internal auditors; (iii) prepare as part of the Project Report, interim unaudited financial reports covering each quarter, and furnish them to the Recipient and the Association not later than forty-five (45) days after the end of the period covered by such reports, and provide such other information concerning such unaudited financial statements as the Recipient or the Association may from time to time reasonably request; and (iv) have its financial statements audited by independent auditors and applying standards both acceptable to the Association at least once in each fiscal year; and
- (h) open and maintain a dedicated Project Account, until the completion of the Project, in a commercial bank on terms and conditions acceptable to the Association; and ensure that the funds deposited into the Project Account shall be used exclusively to finance the cost of expenditures related to the Project;

- 2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

**D. Anti-Corruption**

The Recipient shall ensure and cause the Project Implementing Entity to carry out the Project in accordance with the provisions of the Anti-Corruption Guidelines.

**E. Safeguards**

- 1. The Recipient shall ensure and cause the Project Implementing Entity to carry out the Project in accordance with the provisions of the ESMF and the RPF.
- 2. Further to Part E.1 of this Section I, the Recipient shall cause the Project Implementing Entity to ensure that:

- (a) (i) all terms of reference for all studies or other technical assistance to be carried out under the Project are consistent with and pay due attention to the ESMF and RPF and to the Recipient's own laws relating to the environment and social aspects. To this end, the Recipient shall cause the Project Implementing Entity to, prior to undertaking each study included in the Project: (A) prepare and furnish the terms of reference for such study to the Association for its review; (B) afford the Association a reasonable opportunity to exchange views with the Recipient on said terms of reference; and (C) promptly finalize such terms of reference as shall have been approved by the Association; and
  - (b) if any Supplemental Social and Environmental Safeguards Instrument is required under any of the Safeguards Instruments, the Recipient shall cause the Project Implementing Entity to:
    - (i) prepare: (A) such Supplemental, Social and Environmental Safeguards Instrument in accordance with the applicable Safeguards Instrument; (B) furnish such Supplemental Social and Environmental Safeguards Instrument to the Association for review and approval; and (C) thereafter adopt such Supplemental, Social and Environmental Safeguards Instrument prior to implementation of the rehabilitation works; and
    - (ii) 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. Without limitation upon its other reporting obligations under Section II.A of this Schedule 2, the Recipient shall cause the Project Implementing Entity to regularly collect, compile, and submit to the Association, on a quarterly basis, reports on the status of compliance and implementation of the ESMF, the RPF, and any supplementary.

**Section II. Project Monitoring, Reporting and Evaluation**

**A. Project Reports**

The Recipient shall ensure and cause the Project Implementing Entity 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 acceptable to the Association and set out in the Project Implementation Manual. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

**B. Financial Management, Financial Reports and Audits**

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall ensure and cause the Project Implementing Entity to prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall ensure and cause the Project Implementing Entity to have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient commencing with the fiscal year in which the first withdrawal was made under the Preparation Advance for the Project. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

**Section III. Procurement**

**A. General**

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

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

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<b>Procurement Method</b>
(a) National Competitive Bidding <i>(subject to the additional provisions set out in paragraph 3 below)</i>
(b) Shopping
(c) Direct Contracting
(d) Force Account
(e) Procurement from UN Agencies

3. **Additional Provisions and Modifications to National Competitive Bidding**

The procurement procedure to be followed for National Competitive Bidding (“NCB”) shall be the open bidding procedure set forth in the Public Procurement Act, 2008, Act. No.12 of 2008, as amended by the Public Procurement (Amendment) Act, 2011, Act No. 15 of 2011 (the “PPA”), and the Public Procurement Regulations, 2011, Statutory Instrument No. 63 of 2011 (the “Regulations”); provided, however, that such procedure shall be subject to the provisions of Section I and Paragraphs 3.3 and 3.4 of Section III, and Appendix 1 of the “Guidelines for Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers” dated January 2011 (Revised July 2014) (the “Procurement Guidelines”), and the additional provisions in the following paragraphs:

- (a) *Eligibility:* Eligibility to participate in a procurement process and to be awarded an Association-financed contract shall be as defined under Section I of the Procurement Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the

Association for reasons other than those provided in Section I of the Procurement Guidelines. No restriction based on nationality of bidders and/or origin of goods shall apply, and foreign bidders shall be allowed to participate in NCB without application of restrictive conditions, such as, but not limited to, mandatory partnering or subcontracting with national entities.

- (b) *Domestic Preference:* No margins of preference of any sort shall be applied in the bid evaluation.
- (c) *Bidding Documents:* Procuring entities shall use bidding documents acceptable to the Association.
- (d) *Bid validity:* An extension of bid validity, if justified by exceptional circumstances, may be requested in accordance with Appendix 1 of the Procurement Guidelines. A corresponding extension of any bid guarantee shall be required in all cases of extension of bid validity. A bidder may refuse a request for extension of bid validity without forfeiting its bid guarantee.
- (e) *Qualification:* Qualification criteria shall be clearly specified in the bidding documents. All criteria so specified, and only such specified criteria, shall be used to determine whether a bidder is qualified. Qualification shall be assessed on a “pass or fail” basis, and merit points shall not be used. Such assessment shall be based entirely upon the bidder’s or prospective bidder’s capability and resources to effectively perform the contract, taking into account objective and measurable factors, including: (i) relevant general and specific experience, and satisfactory past performance and successful completion of similar contracts over a given period; (ii) financial position; and where relevant (iii) capability of construction and/or manufacturing facilities.
- (f) Prequalification procedures and documents acceptable to the Association shall be used for large, complex and/or specialized works. Verification of the information upon which a bidder was prequalified, including current commitments, shall be carried out at the time of contract award, along with the bidder’s capability with respect to personnel and equipment. Where pre-qualification is not used, the qualification of the bidder who is recommended for award of contract shall be assessed by post-qualification, applying the qualification criteria stated in the bidding documents.
- (g) *Bid Evaluation:* All bid evaluation criteria other than price shall be quantifiable in monetary terms. Merit points shall not be used, and no minimum point or percentage value shall be assigned to the evaluation



criteria or significance of price in bid evaluation. No negotiations shall be permitted.

- (h) *Guarantees*: Guarantees shall be in the format, shall have the period of validity and shall be submitted when and as specified in the bidding documents.
- (i) *Cost Estimates*: Detailed cost estimates shall be confidential and shall not be disclosed to prospective bidders. No bids shall be rejected on the basis of comparison with the cost estimates without the Association's prior written concurrence.
- (j) *Rejection of bids and re-bidding*: No bid shall be rejected solely because it falls outside of a predetermined price range or exceeds the estimated cost. All bids (or the sole bid if only one bid is received) shall not be rejected, the procurement process shall not be cancelled, and new bids shall not be solicited without the Association's prior written concurrence.
- (k) *Fraud and corruption*: In accordance with the Procurement Guidelines, each bidding document and contract shall include provisions stating the Association's policy to sanction firms or individuals found to have engaged in fraud and corruption as set forth in the Procurement Guidelines.
- (l) *Inspection and audit rights*: In accordance with the Procurement Guidelines, each bidding document and contract shall include provisions stating the Bank's policy with respect to inspection and audit of accounts, records and other documents relating to the submission of bids and contract performance.

**C. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following table specifies the methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultant services. The Procurement Plan shall specify the circumstances under which such methods may be used:

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

**D. Review by the Association of Procurement Decisions**

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

**Section IV. Withdrawal of the Proceeds of the Financing**

**A. General**

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

<b>Category</b>	<b>Amount of the Financing Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (Exclusive of Taxes)</b>
(1) Goods, works, non-consulting services, consultants' services, under Part A of the Project	27,550,000	100%
(2) Goods, works, non-consulting services, consultants' services, under Part B of the Project	9,440,000	100%
(3) Goods, works, non-consulting services, consultants' services, Training and Operating Costs under Part C of the Project	6,500,000	100 %
(4) Refund of Preparation Advance	2,200,000	Amount payable pursuant to Section 2.07 of the General Conditions
(5) Unallocated	1,510,000	
<b>TOTAL AMOUNT</b>	<b>47,200,000</b>	

**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.
2. The Closing Date is December 31, 2020.

**SCHEDULE 3**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each April 1 and October 1 commencing October 1, 2021 to and including April 1, 2053	1.5625%

\* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.

## **APPENDIX**

### **Definitions**

1. “Agreed Annual Work Plan” means the program of activities agreed each Fiscal Year between the Recipient and the Association for implementation under the Project in accordance with Section I.B.3 of Schedule 2 to this Agreement during the following Fiscal Year, as the same may be revised from time to time in accordance with said Section.
2. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.
3. “Articles of Association” means the articles of association of LWSC as originally framed or as altered by the company from time to time, and which comprise the constitutive documents for incorporation and or registration of a company.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (Revised July 2014).
6. “Cost Recovery” means the ability to pay operating expenses and debt service through operating revenue.
7. “Debt Service” means the aggregate amount of repayment of principal, and interest, and other charges on debt.
8. “Environmental and Social Assessment” and “ESIA” mean the assessment to be carried out by the Project Implementing Entity on the potential environmental and social impacts of the Project, evaluating alternatives, and proposing appropriate mitigation, management, and monitoring measures and defining specific measures to be implemented.
9. “ESMF” means the Environmental and Social Management Framework prepared and adopted by the Recipient, dated March 24, 2015, 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 such framework may be amended by the Recipient from time to time, with the prior written agreement of the Association.

10. “Environmental and Social Management Plan” and “ESMP” mean a plan prepared and adopted by the Project Implementing Entity, as provided in the Environmental and Social Impact Assessment providing appropriate mitigation, monitoring and institutional measures designed to mitigate potential adverse environmental and social impacts under the Project, offset them, reduce them to acceptable levels or enhance positive impacts, as the same may be amended from time to time with the agreement of the Association.
11. “Fiscal Year” means each fiscal year of the Recipient commencing on July 1 and ending on June 30 of the subsequent year.
12. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
13. “Lusaka City Council” or “LCC” means the local administrative council of the Lusaka City established and operating pursuant to the Local Government Act, Cap 281 of the Laws of the Recipient (as amended from time to time).
14. “Lusaka Water and Sewerage Company” or “LWSC” means a corporate entity incorporated under the Companies Act, Chapter 388 of the Laws of the Recipient (as the same may be amended from time to time), and responsible for the provision of water and sanitation services in Lusaka, or the legal successor thereto.
15. “Ministry of Community Development, Mother and Child Health” or “MCDMCH” means the Recipient’s ministry responsible for matters relating to community development and maternal and child health, or its successor thereto.
16. “Ministry of Finance” or “MoF” means the Recipient’s ministry responsible for matters relating to finance.
17. “Ministry of Health” or “MOH” means the Recipient’s ministry responsible at the time for health.
18. “Ministry of Local Government and Housing” or “MLGH” means the Recipient’s ministry responsible for matters relating to local government and housing.
19. “National Water Supply and Sanitation Council” or “NWASCO” means the Recipient’s council responsible for regulating water supply and sanitation services and established and operating pursuant to the Water Supply and Sanitation Act, Act No. 28 of 1997.
20. “Operating Costs” means the reasonable incremental expenses incurred by the Recipient and approved by the Association attributable to Project implementation, management and monitoring, including costs relating to: office supplies and consumables, stationery and sundries, maintenance of office equipment, communication, advertising, office rentals, utility costs, operation and

maintenance of office vehicles, per diem and travel costs for Project staff, reasonable bank charges, allowances and salaries of Project staff (but excluding the salaries of the Recipient's civil servants).

21. "Operating Expenses" means the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, and provisions for uncollected revenue, but excluding non-cash operating charges and costs associated with debt service.
22. "Operating Revenue" means the sum of all revenues generated by operations.
23. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (Revised July 2014).
24. "Procurement Plan" means the Recipient's procurement plan for the Project, dated April 14, 2015, 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.
25. "Project Implementation Manual" means the manual referred to in Section I.B of Schedule 2 to this Agreement consisting of different modules setting out respectively, *inter alia*, the administrative, financial and accounting procedures; the procurement and disbursement procedures arrangements; the monitoring and evaluation arrangements including the performance indicators to be used for the Project, procedures for the implementation of the Safeguards Instruments and other activities and arrangements to be used for the purpose of implementing the Project, as the same may be amended from time to time with the prior agreement of the Association.
26. "Project Implementing Entity" means Lusaka Water and Sewerage Company.
27. "Project Implementing Entity's Legislation" means the Recipient's Companies Act, Chapter 388 (as the same may be amended from time to time) under which LWSC is incorporated including its Articles of Association.
28. "Project Steering Committee" means a committee established by the Recipient for purposes of the Project and referred to in Section I.A.1 of Schedule 2 to this Agreement comprising representatives from MLGH as chair, MoF, MOH, MCDMCH, NWASCO, ZEMA and representatives of other relevant institutions and groups.
29. "Resettlement Action Plan" and "RAP" mean the plan approved by the Association for the Project, prepared by the Project Implementing Entity on the basis of the RPF as the said document may be amended and/or supplemented from time to time

with the prior written concurrence of the Association and subject to the initial consultation and disclosure requirements carried out on the RAP.

30. “Resettlement Policy Framework” and “RPF” mean a document in form and substance acceptable to the Association, and dated March 24, 2015, outlining the policies and procedures to be implemented in the event that specific activities implemented under the Project have potentially negative impacts on the livelihoods, assets and land of the affected population, as the said framework may be amended and/or supplemented from time to time with the prior written consent of the Association, and such term includes any schedules to such document.
31. “Safeguards Instruments” means the ESMF, the RPF and any Supplemental Social and Environmental Safeguards Instruments.
32. “Subsidiary Agreement” means the agreement referred to in Section I.C of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity.
33. “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.
34. “Taxes” means the output taxes that the Recipient would otherwise levy on goods, works, consultant services, non-consulting services, Training and Operating Costs financed under the Project.
35. “Training” means the costs of training under the Project, based on the annual work plans and budgets referred to in Section I.B of Schedule 2 to this Agreement as approved by the Association, and attributable to seminars, workshops, and study tours, along with travel and subsistence allowances for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.
36. “UN” means the United Nations.
37. “Zambia Environmental Management Agency” or “ZEMA” means the Recipient’s entity responsible for the sustainable management of natural resources, protection of the environment and the prevention and control of pollution, established and operating pursuant to the Recipient’s Environmental Management Act, Act No. 12, of 2011 ( as may be amended from time to time), or the legal successor thereto.