Global Partnership on Output-based Aid
Grant Agreement

(Electricity Access for Low-income Households in Zambia Project)

between

ZESCO LTD

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

(acting as Administrator of the Global Partnership on Output-based Aid)

Dated 7th MAY, 2015
GLOBAL PARTNERSHIP ON OUTPUT-BASED AID
GRANT AGREEMENT

AGREEMENT dated 7th MAY 2015, entered into between ZESCO LTD ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("World Bank"), acting as administrator of the Global Partnership on Output-based Aid ("GPOBA").

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 four million, nine hundred and fifty thousand United States Dollars ($4,950,000) ("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
Additional Remedies

4.01. The Additional Events of Suspension referred to in Section 4.02 (k) of the Standard Conditions consist of the following:

(a) The World Bank has determined after the Effective Date that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient's right to make withdrawals from the Grant Account if this Agreement had been effective on the date such event occurred.

(b) IBRD or IDA has declared the Recipient ineligible to receive proceeds of any financing made by IBRD or IDA, or otherwise to participate in the preparation or implementation of any project financed in whole or in part by IBRD or IDA (including as administrator of funds provided by another financier), as a result of: (i) a determination by IBRD or IDA that the Recipient has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by IBRD or IDA; and/or (ii) a declaration by another financier that the Recipient is ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such
financier as a result of a determination by such financier that the Recipient has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.

(c) the Companies Act or the Memorandum and Articles of Association pursuant to which the Recipient has been established and is operating has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Recipient to perform any of its obligations under this Agreement.

(d) As a result of events which have occurred after the date of this Agreement, an extraordinary situation has arisen which makes it improbable that the Recipient will be able to perform its obligations under the Grant Agreement.

Article V
Effectiveness; Termination

5.01. 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 have been duly authorized or ratified by all necessary corporate action.

(b) The Recipient has prepared and adopted a Project Implementation Manual in accordance with the provisions of Section I.B of Schedule 2 to this Agreement.

5.02. As part of the evidence to be furnished pursuant to Section 5.01, 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, affirming on behalf of the Recipient that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms.

5.03. Except as the Recipient and the World Bank shall otherwise agree, the Effective Date on which this Agreement shall enter into effect shall be the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01. 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 events have ceased to exist.

5.04. 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 VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is its managing director.

6.02. The Recipient’s Address is:

ZESCO Ltd  
Stand No. 6949, Great East Road,  
P.O. Box 33304  
Lusaka, Zambia

Facsimile: (+260-211) 222753

6.03. The Association’s Address is:

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

Cable: INDEVAS  
Telex: 248423 (MCI)  
Facsimile: 1-202-477-6391

Washington, D.C.
AGREED at LUSAKA, ZAMBIA as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: KUDHAVI HABIRESAW
Title: COO/GENERAL DIRECTOR

ZESCO LTD

By

Authorized Representative

Name: VICTOR M. MUNDAPESE
Title: Acting MANAGING DIRECTOR
SCHEDULE 1
Project Description

The objective of the Project is to increase access to grid-based electricity services by low-income households in urban and peri-urban areas.

The Project consists of the following part:

Electrification of Low Income Households and Micro and Small Enterprises

Connecting low income households and micro and small enterprises through the provision of grants to subsidize the cost of electricity supply connections for eligible consumers.
SCHEDULE 2

Project Execution

Section 1. Institutional and Other Arrangements

A. Institutional Arrangements.

The Recipient shall be responsible for overall Project coordination, implementation, management and oversight of the Project and shall throughout Project implementation, maintain an institutional framework, functions, and resources satisfactory to the World Bank, including qualified and experienced staff in adequate numbers and terms of reference satisfactory to the World Bank.

B. Implementation Arrangements

Project Implementation Manual

1. The Recipient shall: (a) prepare, under terms of reference satisfactory to the World Bank, and furnish to the World Bank a Project implementation manual containing detailed guidelines and procedures for the implementation of the Project, including roles and responsibilities in the implementation of the Project, the eligibility criteria for beneficiaries, procedures to verify and certify outputs, arrangements for monitoring and evaluation, procurement, administration and coordination, social and environmental safeguards, and financial and accounting, corruption and fraud mitigation measures and such other arrangements and procedures as shall be required for the Project; and (b) thereafter adopt and carry out the Project in accordance with such Project implementation manual as shall have been approved by the World Bank (Project Implementation Manual);

2. Except as the World Bank shall otherwise agree in writing, the Recipient shall not amend or waive, or permit to be amended or waived any provision of the Project Implementation Manual.

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

Annual Work Plan and Budget

4. The Recipient shall not later than May 30 of each year, prepare and furnish to the World Bank, an annual program of activities proposed for implementation under the Project during the following Fiscal Year, together with a proposed budget for the purpose.

5. The Recipient shall exchange views with the World Bank on each such proposed annual work plan, and shall thereafter adopt, and carry out such program of activities
for such following Fiscal Year as shall have been agreed with the World Bank, as such plan may be subsequently revised during such following Fiscal Year with the prior written agreement of the World Bank (Agreed Annual Work).

C. Safeguards.

The Recipient shall carry out the Project in accordance with the provisions of the ESMF, the RPF and any EMP or RAP.

D. Anti-Corruption

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

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 the 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.

3. Without limitation upon its other reporting obligations under Paragraph 1 of this Section II.A, the Recipient shall report, as part of the Project Report, on the status of implementation and compliance with the requirements of the Safeguard Instruments, giving details of (a) measures taken in furtherance of the Safeguards Instruments including each Supplementary Social and Environmental Safeguard Instrument; (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguards Instruments including each Supplementary Social and Environmental Safeguard Instrument; and (c) the remedial measures taken or required to be taken to address such conditions in order to ensure the continued efficient and effective implementation of the Safeguard Instruments.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
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, upon the World Bank’s request, 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 indicated in the World Bank’s request. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the date of the World Bank’s request.

Section III. **Procurement**

A. General

1. **Procurement and Consultant Guidelines.** All goods, works non-consulting-services 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, works and non-consulting services, and Sections I and IV of the Consultant Guidelines; 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”).

1. **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, Works and Non-consulting Services**

1. **National 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 National Competitive Bidding, subject to the following additional procedures:
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" (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.

(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 (ii) 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 prequalification 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.
1. 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.

2. Other Methods of Procurement of Goods, Works and Non-consulting Services. The following table specifies the methods of procurement, other than National 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:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Shopping</td>
</tr>
<tr>
<td>(b) Procurement from UNOPS</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
<tr>
<td>(d) Procurement under Framework Agreements in accordance with procedures which</td>
</tr>
<tr>
<td>have been found acceptable to the World Bank and set out in the Project</td>
</tr>
<tr>
<td>Implementation Manual</td>
</tr>
<tr>
<td>(e) Force Account</td>
</tr>
</tbody>
</table>

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:
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.

2. 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>(1) Subsidy for eligible electricity connections under the Project</td>
<td>4,950,000</td>
<td>100% of Subsidy</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>4,950,000</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:

   (a) payments made prior to the date of this Agreement; and

   (b) payments under the Project unless the Independent Verification Agent has certified the eligibility and functionality of the connections in accordance with the Project Implementation Manual and to the satisfaction of the World Bank.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2017.
APPENDIX

1. Definitions

1. "Agreed Annual Work Plan" means the program of activities agreed each Fiscal Year between the Recipient and the World Bank for implementation under the Project in accordance with Section I.C.4 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.


3. "Companies Act" means Chapter 388 of the Laws of Zambia establishing the framework for incorporation, regulation and the winding up of companies.


5. "Environmental Management Plan" or "EMP" means a plan acceptable to the World Bank, prepared by the Recipient pursuant to the ESMF, describing the set of mitigation, enhancement, monitoring, and institutional measures to be taken to mitigate adverse environmental and social impacts of Project activities, offset them, or reduce them to acceptable levels, or to enhance positive impacts.

6. "Environmental and Social Management Framework" or "ESMF" means the Recipient's framework titled "Environmental and Social Management Framework, August 2006 " adopted for this Project and setting out mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, that have been identified by the Recipient to eliminate any adverse environmental and social impacts of Project activities, offset them, or reduce them to acceptable levels, or enhance positive impacts, as the same may be modified from time to time with the prior written agreement of the World Bank, and such term includes any schedules or annexes to said Framework.

7. "Fiscal Year" means each fiscal year of the Recipient commencing on July 1 and ending on June 30 of the subsequent year.

8. "GPOBA" Global Partnership on Output-Based Aid means the partnership of donors and international organizations working together to support output-based aid (OBA) approaches.

9. "Independent Verification Agent" means the consultant to be hired by the World Bank to carry out independent verification of connections under the Project.

10. "Memorandum and Articles of Association" means the memorandum of association of a company and the articles of association of a company 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 under the Companies Act.


12. “Procurement Plan” means the procurement plan dated August 10, 2011 prepared by the Recipient for the Project, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

13. “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.

14. “Resettlement Action Plan” or “RAP” means a plan acceptable to the World Bank setting out the arrangements, including related compensation measures, to be applied in the event of the physical or economic displacement of persons affected by activities to be implemented under the Project, in accordance with the provisions of the Resettlement Policy Framework (as hereinafter defined), and such term includes any schedules or annexes to said Plan.

15. “Resettlement Policy Framework” or “RPF” means the Recipient’s framework, titled “Resettlement Policy Framework for the Increased Access to Energy and Information and Communication Technology Services Project January 2007”, adopted for this Project and setting out the arrangements, including related compensation measures, to be applied in the event of the physical or economic displacement of persons affected by activities to be implemented under the Project, and such term includes any schedules or annexes to said Framework.

16. “Safeguard Instruments” means the ESMF, the RPF and any EMP or RAP.

17. “Subsidy” means the amount, as determined by the World Bank, to be provided for each connection made to eligible consumers and verified in accordance with the terms of this Agreement.

18. “ZESCO Limited” means a wholly government owned power utility company 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 generation, transmission, distribution and supply of electricity in the Recipient’s territory, or the legal successor thereto.

19. “United Nations Office for Procurement Services” or “UNOPS” means an agency of the United Nations established in 1974 to expand the capacity of the United Nations system and its partners to implement peace building, humanitarian and development operations that matter for people in need.