GRANT AGREEMENT

Climate Resilient Rural Water Supply and Sanitation
under
National Rural Water Supply and Sanitation Programme Phase II
between

REPUBLIC OF ZAMBIA
and

NORDIC DEVELOPMENT FUND

Dated 3 December 2015
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GRANT AGREEMENT

between THE REPUBLIC OF ZAMBIA (the "Recipient") and the NORDIC DEVELOPMENT FUND (the "Fund").

WHEREAS

a) the Fund was established as a Nordic multilateral development financing institution pursuant to an agreement between the Governments of Denmark, Finland, Iceland, Norway and Sweden for the purpose of promoting economic and social development in developing countries through participation in financing on concessional terms of projects of interest to the Nordic Countries;

b) the Recipient, having satisfied itself of the feasibility and priority of the project described in Annex 1 to this Agreement (the "Project"), has requested the Fund to assist in the financing of the Project and declares its commitment to the objectives of the Project;

c) the Recipient has entered into an agreement (the "Financing Agreement"), dated 12 June 2015, with the African Development Bank (the "Partner Agency") to assist in the financing of the Project;

d) the Project will be carried out by the Ministry of Local Government and Housing (the "Implementing Agency");

f) the Fund, in accordance with a co-operation agreement dated 5 December 1995, as amended 17 May 2013, may request the Partner Agency to carry out on behalf of the Fund and in accordance with the Partner Agency's usual procedures, the monitoring and evaluation of the part of the Project to be financed by the Fund;

g) the Recipient and the Fund have on 6 June 1996 entered into an agreement on the legal status of the Fund in Zambia;

h) the Fund has agreed, on the basis, inter alia, of the foregoing, to extend the Grant to the Recipient upon the terms and conditions set forth in this Agreement;

NOW IT IS AGREED:

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ARTICLE I
Definitions

1.01 Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the Preamble to this Agreement have the meanings therein set forth, and the following additional terms have the following meanings:

"Agreement" means this particular grant agreement, including all annexes, schedules and agreements supplemental hereto, as such agreement may be amended from time to time;

"Anticorruption Policy" means NDF’s Policy on Anticorruption and Integrity, as in effect at any given time;

"Banking Day" means, in relation to any place where transactions under this Agreement have to be carried out, a day on which commercial banks in such place are neither required nor authorised to be closed;

"Closing Date" means the date after which the right of the Recipient to make drawdowns under this Agreement may be terminated by the Fund, such date being specified in Section 2.07;

"Contractor" means a consultant, supplier of goods, contractor of works and/or provider of services for the Project, selected and employed or contracted in accordance with this Agreement;

"Disbursement Deadline Date" means the date three (3) months after the Closing Date, which is the final date on which the Fund will accept disbursement requests.

"Disbursement Instructions" mean NDF Disbursement Instructions, as in effect at any given time;

"Dollar(s)", "USD" and the sign "$" mean the lawful currency of the United States of America;

"Eligible Expenditure" means, except as otherwise provided in this Agreement, an expenditure incurred prior to or on the Closing Date in respect of the reasonable cost of goods, works and services required and procured for the Project and to be financed by means of the Grant, all in accordance with the provisions of this Agreement, provided however that a payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations shall not be an Eligible Expenditure;

"EUR" and the sign "€" mean euro, the lawful currency of the member states of the European Union that have adopted and continue to retain a common single currency through monetary union in accordance with European Union treaty law;

"Grant" means the grant provided for in this Agreement or any part thereof, as the context requires;

"Policy on Access to Information" means NDF’s Policy on Access to Information, as in effect at any given time;

"Policy on Taxes" means NDF Operational Policy on Taxes, as in effect at any given time;
"Prohibited Practices" means corrupt, fraudulent, collusive, coercive and obstructive practices, as defined in the Anticorruption Policy;

"Special Account" means an account opened by the Recipient or Implementing Agency in accordance with the Disbursement Instructions for the purpose of receiving and administrating a Special Advance disbursement;

"Taxes" includes imposts, levies, fees and duties of any nature, whether in effect at the date of this Agreement or imposed thereafter;

"Tenderer" means a firm or other type of entity, association of firms or entities, or an individual who submits or has submitted a proposal or a bid for the supply of goods, construction of works or provision of services for the Project.

ARTICLE II
The Grant
Use of Proceeds of the Grant
Disbursements

2.01 The Fund agrees to make available to the Recipient, on the terms and conditions set forth or referred to herein, an amount of up to EUR 2,250,000.00 (two million, two hundred and fifty thousand euros) (the "Grant").

2.02 The Recipient shall be entitled to draw down the Grant in accordance with the provisions of this Agreement and the Disbursement Instructions, for the purpose of paying Eligible Expenditures. The Recipient shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Grant in accordance with Section 6.02 and Annex 2 of this Agreement. Unless the Fund shall agree otherwise, no amount of the Grant shall be drawn or be applied, directly or indirectly, on account of expenditures incurred prior to the date of this Agreement or after the Closing Date.

2.03 The use of any of the proceeds of the Grant to pay for Taxes levied by, or in the territory of, the Recipient on or in respect of Eligible Expenditures, or on the importation, manufacture, procurement or supply of goods, works and services for such Eligible Expenditures, if permitted pursuant to this Agreement, is subject to the NDF Policy on Taxes. If the Fund at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the Fund may, by notice to the Recipient, adjust the percentage of such expenditures to be financed out of the proceeds of the Grant, as required to ensure consistency with the Fund's policy.

2.04 Drawdowns shall reflect the implementation of the Project. The proceeds of the Grant shall be disbursed in accordance with and on terms and conditions set out in Annex 2 hereto and the Fund’s Disbursement Instructions by one or several of the following four disbursement methods:
(i) direct payment(s) to the Contractor(s) for the cost of Eligible Expenditures incurred (Direct Payment);

(ii) payment(s) for the cost of Eligible Expenditures through a financial institution under a Special Commitment issued by the Fund (Special Commitment);

(iii) advance payment(s) to one or more Special Accounts opened for the purposes of the Project (Special Advance);

(iv) reimbursement of Eligible Expenditures which have been incurred and paid for by the Recipient’s own resources (Reimbursement).

The applicable disbursement method(s) shall be those defined in Annex 2 unless otherwise agreed between the Fund and the Recipient.

2.05 Disbursements under the Grant shall be made subject to

(a) the conditions precedent specified in Article III having been, and remaining, fulfilled to the Fund’s satisfaction;

(b) in the case of Special Commitment or Special Advance, the Fund having received and accepted all documentation required for these disbursement methods, as set out in the Disbursement Instructions;

(c) receipt by the Fund of (i) a disbursement request, with supporting documentation, acceptable to the Fund submitted by or on behalf of the Recipient, or (ii) in the case of Special Commitment, a payment request submitted by the third party to whom the Special Commitment was provided by the Fund.

2.06 Each disbursement shall be made prior to the Disbursement Deadline Date on a date determined by the Fund. Unless the Recipient has requested disbursement on a specified later date, disbursement will normally be made not later than 30 calendar days after NDF’s receipt of the disbursement request, provided that all conditions precedent to disbursement set out in Article III hereof have been fulfilled and remain fulfilled.

2.07 The Closing Date shall be 31 December 2018, or such later date as the Fund shall establish. The Fund shall promptly inform the Recipient of such later date.

ARTICLE III
Conditions Precedent

3.01 Unless otherwise agreed, the making of disbursements from the Grant shall be subject to the fulfilment, in a manner acceptable to the Fund, of the following conditions:
(a) this Agreement is in full force and effect, and no event which would entitle the Fund to suspend disbursements under this Agreement, shall have occurred and be continuing;

(b) the Recipient has taken or caused to be taken all action necessary or advisable to enable the Recipient to receive the Grant and to perform its obligations hereunder, including obtaining all required exemptions, consents and permits; and

(c) the Fund has received and accepted:

(i) a legal opinion showing that this Agreement has been duly authorised or ratified by, and executed and delivered on behalf of, the Recipient and is legally binding upon the Recipient in accordance with its terms;

(ii) if requested by the Fund, further evidence satisfactory to it that the execution and delivery of this Agreement on behalf of the Recipient has been duly authorised by all necessary authorities;

(iii) evidence satisfactory to the Fund of the authority of the person or persons authorised to sign disbursement requests on behalf of the Recipient and the authenticated specimen signature of any such person;

(iv) evidence satisfactory to the Fund that other financing required for the Project, including financing from the Recipient as well as the Partner Agency, has been obtained and that conditions precedent to the effectiveness of such financing have been met;

(v) if relevant, certified copies of implementation agreements, acceptable to the Fund, whereby the Recipient makes the Grant available to the Implementing Agencies; and

(vii) any other documentation the Fund reasonably requests relating to the execution of this Agreement or the implementation of the Project.

3.02 All documentation to be delivered to the Fund in accordance with this Article III shall be in English, or if in another language, complemented by an official translation in English.

ARTICLE IV
Currency Provisions

4.01 The proceeds of the Grant shall be disbursed in freely convertible currency with reference to EUR in accordance with section 4.02 hereof.

4.02 Whenever it shall be necessary for the purpose of this Agreement to determine the value of one currency or unit of account with reference to another currency or unit of account as of a given date, such value shall be as reasonably determined by the Fund.
ARTICLE V
Co-operation and Information
Recipient’s General Undertakings and Representations

5.01 The Recipient represents that this Agreement has been duly authorised, and has been duly executed, signed and delivered on behalf of the Recipient and is legally binding upon the Recipient in accordance with its terms and conditions.

5.02 (a) The Recipient and the Fund shall co-operate fully to ensure that the purpose of the Grant will be accomplished. To that end, each party shall furnish to the other party all such information that is reasonably requested with regard to the general status of the Project.

(b) The Recipient shall promptly inform the Fund of (i) any condition which interferes or threatens to interfere with the accomplishment of the purpose of the Grant (including substantial increase in the cost of the Project), and (ii) any event which with the lapse of time or otherwise would entitle the Fund to suspend disbursements under this Agreement in accordance with Article VII.

5.03 (a) The Recipient undertakes to comply with and ensure that the Project is implemented in accordance with NDF’s Anticorruption Policy.

(b) The Recipient undertakes to take all necessary action to prevent and detect Prohibited Practices within its territory and to pursue, by all appropriate means, any such practices whenever identified.

(c) The Recipient undertakes to promptly inform the Fund of any allegation or finding of Prohibited Practices, as defined in the Anticorruption Policy, in connection with the Project or with the use of the proceeds of the Grant.

(d) The Recipient acknowledges that the Fund reserves the right to investigate, directly or through any agent appointed by the Fund, any Prohibited Practices relating to the Project or the use of the proceeds of the Grant and undertakes to cooperate in any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

ARTICLE VI
Execution of the Project
Recipient’s Project-Related Undertakings

6.01 The Recipient shall take or cause to be taken all action which shall be necessary to execute the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, technical, social, environmental and climate change mitigation and adaptation standards and practices, in accordance with this Agreement. These practices also include transparency in project operations and wide and easy access to public information on the project. In particular, the Recipient shall make available to the public (i) project-related safeguards assessments and plans related to environment, resettlement, and indigenous peoples; (ii) audited
annual financial statements for the project; (iii) procurement plans; and (iv) results of procurement procedures.

6.02 (a) The Recipient shall ensure that the proceeds of the Grant shall be used only for the financing of Eligible Expenditures for the Project or, as applicable, Project component(s) for which the Grant is extended. Procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the Grant shall be governed by the provisions of Annex 2 to this Agreement as said provisions may be further elaborated in the Procurement Plan, as defined in section (b) below.

(b) The Recipient shall prepare or cause to be prepared a Procurement Plan in accordance with procurement guidelines acceptable to the Fund for a period covering at least 18 initial months of the project execution, and update the Procurement Plan and furnish such update to the Fund for “no objection” not later than 12 months after the date of the preceding Procurement Plan.

(c) The Recipient shall ensure that in respect of procurement of goods, works and services for the Project, bidding documents and requests for proposals as well as the contracts shall, respectively, include clauses that give the Recipient, the Implementing Agency or other contracting entity the right to (i) demand investigations of the Tenderer’s/Contractor’s books by independent auditors for the purpose of ascertaining inter alia whether or not Prohibited Practices have taken place, (ii) reject any tender and cancel any procurement contract in the case that any Prohibited Practices have taken place in connection with the procurement procedure related to the contract or the execution thereof, (iii) claim compensation for the damage or loss arising from any such rejection of tender or cancellation of contract, and (iv) exclude the Tenderer/Contractor, either indefinitely or for a certain period of time, from competing for and participating in the execution of contracts in the territory of the Recipient.

6.03 In addition to the proceeds of the Grant, the Recipient shall make available or cause to be made available promptly when needed all other funds that are required for the execution of the Project including any funds that may be required to meet any increase in cost.

6.04 The Recipient shall:

(i) ensure that any facilities relevant to the Project are operated, maintained and repaired in accordance with sound operational and maintenance practices; and

(ii) insure or cause to be insured, or make adequate provision for the insurance of imported goods to be financed out of the proceeds of the Grant against hazards incidental to the acquisition, transportation and delivery thereof to the place of use or installation. Any indemnity for such insurance shall be payable in a freely usable currency to replace or repair such goods.

6.05 The Recipient shall:
(i) maintain or cause to be maintained records and procedures adequate to record and monitor the progress of the Project (including its cost and the benefits to be derived from it), to identify the goods, works and services financed out of the proceeds of the Grant and to disclose their use in the Project;

(ii) ensure that such records mentioned in (i) above are retained until at least one year following receipt by the Fund of the final audited financial statements of the Project or two years after the Closing Date; and

(iii) enable representatives appointed by the Fund to visit any facilities and construction sites included in the Project and to examine the goods, works and services financed out of proceeds of the Grant and any plants, installations, sites, works, buildings, property, equipment, records and documents relevant to the performance of the obligations of the Recipient under this Agreement.

6.06 The Recipient shall furnish or cause to be furnished to the Fund:

(i) at a minimum semi-annually reasonably detailed information concerning the Grant, the budgeted and actual cost of the Project, the budgeted and actual expenditure of the contracts financed by the Grant, and the goods and services financed out of such proceeds;

(ii) at a minimum semi-annually, reports on the implementation of the Project including, inter alia, information on the accomplishment of the targets and actions set out in Annex 1 to this Agreement, including the logical framework where relevant, and on the operation and management of the Project facilities, if relevant;

(iii) a copy of the audited annual financial statements of the Project, or, if the Project is a part of a larger project implemented by the Partner Agency, a copy of the audited financial statements for that project, provided such financial statements also include information on the Grant;

(iv) if so requested by the Fund, audited financial statements of the use of the Grant, in form and substance acceptable to the Fund, prepared by an independent auditor for the preceding financial year. The cost of such audit may be covered by proceeds of the Grant. If sufficient Grant proceeds are not available, the Fund and the Recipient shall agree on how to finance the audit;

(v) if the Special Advance disbursement method is being used for the purposes of the Grant, an audit on the Special Account(s), as set out in the Disbursement Instructions;

(vi) promptly after completion of the Project, but in any event not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Fund, a reasonably detailed report, in form and substance acceptable to the Fund, on the use of the proceeds of the Grant, the execution of the Project and the results derived and to be derived from it; and

(vii) any other information the Fund shall reasonably request relating to the Project or the proceeds of the Grant.

6.07 All reports may be provided electronically unless otherwise requested by the Fund.
Ownership, title and industrial and property rights in the results of the implementation of the Project and the reports and other related documents shall be vested in the Recipient, Implementing Agency or as otherwise agreed between the parties. Notwithstanding the foregoing, the Recipient shall ensure that the Fund shall have the right to use free of charge and as it sees fit, all documents deriving from the implementation of the Project, whatever their form, provided that such use does not breach any existing industrial and intellectual property rights.

ARTICLE VII
Suspension and Cancellation

7.01 If any of the following events of suspension shall have occurred and be continuing, the Fund may, by notice to the Recipient, suspend in whole or in part the right of the Recipient to draw down the Grant:

(a) The Recipient shall have failed to perform any obligation under this Agreement.
(b) The Recipient shall have failed to make payment of principal, charges or any other amount due to the Fund under any credit, grant or other financing agreement between the Recipient and the Fund.
(c) The Recipient shall have failed to perform any of its obligations (other than payment obligations) under any credit or grant or other financing agreement with the Fund which gives the Fund the right to suspend in whole or in part the right of the Recipient to make drawings under such agreement.
(d) As a result of events which have occurred after the date of this Agreement, a situation shall have arisen which in the reasonable opinion of the Fund shall make it improbable that the Project can be successfully carried out or that the Recipient will be able to perform its obligations under this Agreement.
(e) An extraordinary situation shall have arisen in which any further disbursement by the Fund would exceed its resources available for disbursement.
(f) A representation made by the Recipient in or pursuant to this Agreement, or any statement furnished in connection therewith, and intended to be relied upon by the Fund in extending the Grant, shall have been incorrect in any material respect.

(g) (i) (A) The right of the Recipient to draw down the proceeds of any grant or loan made to the Recipient (other than by the Fund) for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or

(B) any such grant shall have become repayable or any such loan shall have become due and payable prior to the agreed maturity thereof.
(ii) Subparagraph (i) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Fund that (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Recipient to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Recipient from other sources on terms and conditions consistent with the obligations of the Recipient under this Agreement.

(h) The Fund shall have determined, with respect to any contract to be financed in full or in part out of the proceeds of the Grant, that Prohibited Practices were engaged in by representatives of the Recipient or any beneficiary or potential beneficiary of the Grant during the procurement of goods and services, consultants’ selection or the execution of a contract, without the Recipient having taken timely and appropriate action satisfactory to the Fund to remedy the situation; or the Fund shall have determined that the procurement of any goods or services to be financed out of the proceeds of the Grant is inconsistent with the relevant procedure agreed on between the Recipient and the Fund.

(i) The Recipient has failed to service any of its external debt to a multilateral financial institution.


The right of the Recipient to draw down the Grant shall continue to be suspended in whole or in part, as the case may be, until the event or events which gave rise to such suspension shall have ceased to exist, unless the Fund shall have notified the Recipient that the right to draw down has been restored in whole or in part, as the case may be.

7.02 If (a) the conditions precedent have not been fulfilled 180 calendar days after the date of this Agreement, or (b) the right of the Recipient to draw down the Grant shall have been suspended for a continuous period of thirty days, or (c) at any time the Fund determines, after consultation with the Recipient, that an amount of the Grant will not be required to finance the Project's costs agreed to be financed out of the proceeds of the Grant, or (d) at any time the Fund determines, with respect to any contract to be financed in full or in part out of the proceeds of the Grant, that Prohibited Practices were engaged in by representatives of the Recipient or any beneficiary or potential beneficiary of the Grant during the procurement of goods and services, consultants’ selection or the execution of a contract, without the Recipient having taken timely and appropriate action satisfactory to the Fund to remedy the situation; (e) after the Closing Date, an amount of the Grant shall remain undrawn, the Fund may, by notice to the Recipient, terminate the right of the Recipient to draw down the Grant or, as applicable, the relevant amount of the Grant. Upon the giving of such notice, the Grant or the relevant amount of the Grant shall be cancelled.

7.03 Notwithstanding any suspension or cancellation, all the provisions of this Agreement shall continue in full force and effect except as specifically provided in this Article.
ARTICLE VIII
Repayment

8.01 The Recipient shall upon the Fund's demand promptly repay to the Fund (or, if applicable and agreed by the Fund, to the Special Account) any amount of the Grant used in a manner inconsistent with the provisions of this Agreement.

8.02 The Recipient shall upon the Fund's demand promptly repay to the Fund any amount of the Grant standing to the credit of a Special Account if the Fund determines, after consultation with the Recipient, that such amount will not be required to finance the Project's costs agreed to be financed out of the proceeds of the Grant.

ARTICLE IX
Enforceability and Arbitration

Failure to Exercise Rights

Waiver of Immunity

9.01 The rights and obligations of the Recipient and the Fund under this Agreement shall be valid and enforceable in accordance with the terms hereof notwithstanding the law of any state or political subdivision thereof to the contrary. Neither the Recipient nor the Fund shall be entitled in any proceeding under this Article to assert any claim that any provision of this Agreement is invalid or unenforceable because of any provision of the Articles of Agreement or the Statutes of the Fund.

9.02 Any dispute, controversy or claim arising out of or relating to the interpretation, application or performance of this Agreement, including its existence, validity or termination, which has not been settled by agreement of the parties within 60 calendar days, shall be settled by final and binding arbitration under the Permanent Court of Arbitration Optional Rules for Arbitration Involving International Organizations and States, as in effect on the date of this Agreement.

The place of arbitration shall be Paris, France and the language of the arbitral proceedings shall be English.

9.03 Service of any notice of process in connection with any proceeding under this Article may be made in the manner provided for in section 10.02 hereof. The parties hereto waive any and all other requirements for the service of any such notice of process.

9.04 No delay in exercising or omission to exercise any right, power or remedy accruing to any party under this Agreement upon default or otherwise shall impair any such right, power or remedy or be construed to be a waiver thereof, nor shall any action of such party in respect of any
default affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

9.05 Except as expressly provided in this Agreement, neither party shall be deemed to have waived, renounced or modified any immunities, privileges or exemptions given under international conventions or applicable law. The parties hereby expressly waive any right of immunity they might have on the grounds of sovereignty or otherwise in connection with any arbitral proceeding pursuant to section 9.02 hereof or with the enforcement of any award pursuant thereto.

ARTICLE X
Miscellaneous Provisions

10.01 The Minister of the Recipient responsible for finance at the time is designated as the representative of the Recipient for the purposes of signing and executing on behalf of the Recipient any documents used in connection with this Agreement. This notwithstanding, the Implementing Agency and the Fund may agree in writing upon any non-material change to, or further specification of, Annex 1, Project Description and Annex 2, Project Execution, provided that the amount of the Grant will not be increased, and any such change or further specification shall be deemed an integral part of this Agreement.

10.02 Any document, notice or request required or permitted to be given or made under this Agreement shall be made in writing in the English language and may be delivered (i) by airmail or internationally recognised courier service, (ii) by telefax, or (iii) by electronic mail to the party to which it is required or permitted to be given or made, at such party's address specified below or at such other address as such party shall have designated by notice to the other party. Any document, notice or request expressly required under this Agreement shall, if given by telefax or by electronic mail, promptly be confirmed by letter, and the Fund shall not be under any obligation to take any action until receipt of such letter.

For the Fund:
Nordic Development Fund
P.O.Box 185
FIN-00171 Helsinki
Finland
tel: +358 10 618 002 telefax: +358 9 622 1491
e-mail: info.ndf@ndf.fi
For the Recipient:
Ministry of Finance
Chimanga Road
P.o Box 50062
Lusaka
Zambia
tel: + 260 211 250874 telefax: + 260 211 255185

For the Implementing Agency:
Ministry of Local Government and Housing
Church Road
P.O BOX 50027
Lusaka
Zambia
tel: +260 211 251128 telefax: +260 211 252503

10.03 The Fund may disclose this Grant Agreement and any information related to this Grant Agreement in accordance with its Policy on Access to Information in effect at the time of such disclosure.

10.04 This Agreement is made in two copies each of which shall be an original.

10.05 The following annexes form part of this Agreement:
Annex 1 Project Description
Annex 2 Implementation and Monitoring
Annex 3 Project Execution
IN WITNESS WHEREOF the parties hereto, acting through their duly authorised representatives, have caused this Agreement to be signed with their respective names as of 3 December 2015

REPUBLIC OF ZAMBIA

[Signature]
Alexander B. Chikwanda
Minister of Finance

NORDIC DEVELOPMENT FUND

[Signature]
Pasi Hellman
Managing Director

[Signature]
Charles Wetherill
Country Program Manager
PROJECT DESCRIPTION

Project Objectives

The overall objective of the National Rural Water Supply and Sanitation Programme Phase II (NRWSSP) is to provide sustainable and equitable access to safe water supply and proper sanitation to meet basic needs for improved health and poverty alleviation for Zambia's rural population.

The objectives of the NDF component are to improve climate resilience of water and sanitation infrastructure in rural communities and to integrate climate resilience into national water and sanitation strategy and design standards.

This is in line with Zambia's National Climate Change Response Strategy which includes among its key priorities, making the water sector more climate resilient and developing climate resilient national water and sanitation policy.

NRWSSP is supported by the Government of the Republic of Zambia (GRZ), the African Development Bank (AfDB), the OPEC Fund for International Development (OFID) and NDF.

Project Activities and Expected Results

NRWSSP Phase 2, including the NDF component, will focus on Zambia’s Western Province. The NDF component will be implemented over three years from 2016 to 2018. It will, through analysis, field testing, demonstration and knowledge dissemination, aim to reinforce outcomes of the programme and benefit the overall water sector.

It is also expected that future sector interventions and initiatives will continue to benefit from NDF-supported training and methodologies on how to plan and deliver climate resilient water supply and sanitation services. NDF support will also provide input to the formulation of the forthcoming National Water Supply and Sanitation Policy.

NDF Components

The major expected outcomes of the NDF component are to:

1) Improve climate resilience of water and sanitation infrastructure in rural communities; and
2) Integrate climate resilience into national water and sanitation strategy and design standards.
The NDF component has three (3) major activities and expected results, as follows:

**Activity 1)** Identify adaptation needs in existing rural water supply infrastructure operations as well as tools, technologies and methods for improving the climate resilience of rural water supply and sanitation. This activity will analyse expected climate impact on rural water and sanitation systems delivery from a holistic approach including local level water resources management, flood control measures, deforestation issues, early warning and climate proofing of water supply and sanitation installations.

**Result/s:** Development of capacity, tools and methods for integrating climate change adaptation measures for rural water supply and sanitation using latest science and best practice.

**Activity 2)** Field test approaches and methodologies in four (4) districts in the Western Province in wards where the AfDB programme is not active. This should include two (2) drought-prone and two (2) flood prone districts, covering approximately 80-100 communities.

Activities will include establishing newly drilled and manually drilled boreholes, new dug-wells, solar-powered water schemes, and rehabilitation of existing boreholes and wells. These activities will also include establishment of systems for operation and maintenance set-up.

The NDF project will also run test installations of a limited number of biogas plants. In addition, there will be a piloting of innovative water systems. There will also be a special focus on training and awareness building for communities and district staff. As part of the larger programme, there will be monitoring of the increase technical knowledge and capacity development in communities and among district staff regarding climate change resilient options and warning systems.

**Result/s:** Field tested climate resilient approaches and methods to be used in the NRWSSP.

**Activity 3)** Presentation and dissemination of the results to a wider audience including key decision-makers.

**Result/s:** Dissemination and integration of results into national policy.

**Cost Estimates and Financing Plan**

Overall costs for NRWSSP are estimated at EUR 36 million of which the AfDB will contribute USD 20.34 million (loan USD 15.5 million, grant USD 4.84 million), the OPEC Fund for International Development (OFID) will contribute USD 14.0 million, the Government of the Republic of Zambia (GRZ) will contribute USD 3.88 million and NDF will contribute EUR 2.25 million.
The following table presents the estimated cost breakdown in EUR for the NDF component as well as an estimated breakdown of contributions by other partners.

Table 1. Budget Summary

<table>
<thead>
<tr>
<th>Category</th>
<th>Other Contributors (EUR)</th>
<th>NDF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Works</td>
<td>17,800,000</td>
<td>470,000</td>
</tr>
<tr>
<td>Goods</td>
<td>1,700,000</td>
<td>127,000</td>
</tr>
<tr>
<td>Services (TA and non-TA)</td>
<td>11,000,000</td>
<td>1,346,000</td>
</tr>
<tr>
<td>Total base Costs</td>
<td>30,500,000</td>
<td>1,943,000</td>
</tr>
<tr>
<td>Contingency</td>
<td>3,330,000</td>
<td>307,000</td>
</tr>
<tr>
<td>Subtotal</td>
<td>33,830,000</td>
<td>2,250,000</td>
</tr>
<tr>
<td>Total Programme Costs</td>
<td>36,080,000</td>
<td></td>
</tr>
</tbody>
</table>

1 Works are only in connection with the field testing of the approaches and includes works related to water point development and rehabilitation, local water resource management and piloting of household biogas plants
2 Goods include transportation for TA and extension staff, office furniture, etc.
3 Includes both TA and non-TA costs. Non-TA includes cost for office rental since it is expected that MLGH will not be able to find office space within the ministry or locally. It also includes cost of workshops, training, international exposure to climate change adaptation of MLGH staff and international dissemination of outcome of the project, mobilisation and campaigns in districts etc.
4 The budget further includes 13% contingencies out of which EUR 14,000 is set aside for audits.
IMPLEMENTATION AND MONITORING

Implementation Arrangements

The oversight of the NDF component will follow the same institutional setup as the overall NRWSSP. The Ministry of Local Government and Housing has the overall coordinating role for the Programme and also serves as implementing agency.

The Ministry of Local Government and Housing will ensure that the results from the NDF component are fed into the overall NRWSSP for integration and scaling up in all districts in the Western province and also that results are fed into the planned National Water Supply and Sanitation Policy.

The Ministry for Local Government and Housing is responsible for developing a National Water Supply and Sanitation Policy as well as introducing relevant climate resilient infrastructure. The aim is to facilitate the integration of climate change adaptation into the sector both at national and local levels.

The Interim Climate Change Secretariat under the Ministry of Finance has the role of coordinating all climate change activities in Zambia and will work closely with the Ministry of Local Government and Housing to ensure close coordination and timely execution of the various parts of the Programme.

Monitoring and Evaluation

The Ministry for Local Government and Housing will monitor progress and coordinate efforts together with the AfDB. Coordination at national level is ensured through the close cooperation between the Ministry of Local Government and Housing and the Interim Climate Change Secretariat under the Ministry of Finance.

The monitoring for the NDF component is designed so it can feed into ongoing national monitoring programmes. The Ministry for Local Government and Housing will be responsible for reporting quarterly to NDF. The monitoring of general progress of the NDF project will be included in the AfDB Project’s Joint Annual Reviews. In addition, the AfDB will provide close monitoring and evaluation of the project during implementation through regular follow-up and supervision missions.

NDF will hold regular follow-up meetings with the Ministry for Local Government and Housing, particularly after receiving quarterly reports. NDF will also liaise closely with AfDB on progress of
the overall Programme and participate as much as possible in AfDB supervision missions in addition to conducting routine follow-up on the project when in Zambia.

Within three (3) months of completion of completion of the NDF component, the Ministry of Local Government and Housing will submit a project completion report to NDF. The Ministry of Local Government and Housing shall ensure that the results from the NDF component are fed into the evaluations and reviews by the AfDB and other relevant national evaluations and reviews.

**Monitoring Framework**

<table>
<thead>
<tr>
<th>Design summary</th>
<th>Performance targets</th>
<th>Means of verification</th>
<th>Assumptions &amp; risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development objective: to facilitate provision of sustainable RWSS services based on a National Water Supply and Sanitation Policy, which will include principles of mainstreaming climate change adaptation and mitigation aimed at protecting water and sanitation infrastructure against damages and safeguarding communities against flooding, disease outbreak and water scarcity during events of heavy precipitation and drought....”</td>
<td>Climate change adaptation and mitigation measures and procedures developed and integrated in in provincial and national systems; the principles included in Programme and used throughout Zambia by the end of the project.</td>
<td>Reports form the annual sector review</td>
<td>It is assumed that Government of Zambia is positive towards climate change adaptation and fulfil its own goals. Good coordination at national level between MLGH and Interim Climate Change secretariat.</td>
</tr>
<tr>
<td>The immediate objective: to increase the capacity of Government of Zambia staff to provide climate resilient Water Supply and Sanitation services to the rural communities in Western Province.</td>
<td>Climate change adaptation approach is used in all districts and all wards in Western Province by the end of the project.</td>
<td>MLGH progress reports and AfDB supervision mission Aide Memoire</td>
<td>MLGH is rolling out the climate change adaptation approach to the entire Western Province immediately after the field test.</td>
</tr>
<tr>
<td>Sub-component 1 – Capacity and tools development for integrating climate change adaptation measures for rural water supply and sanitation.</td>
<td>Approaches and methods identified in the existing rural water supply infrastructure operations that need adaptation measures. Additional activities identified to make rural water supply and sanitation climate resilient. Develop a tool (manual and checklists) for integrating climate change adaptation measures for rural water supply and sanitation after 24 months</td>
<td>MLGH progress reports Manual and checklists for when/how to use climate change adaptation approach.</td>
<td>It is assumed that all Government of Zambia staff cooperate and provide information needed.</td>
</tr>
<tr>
<td></td>
<td>Climate change adaptation monitoring system to monitor impact of activities and provide data and results to national systems by the end of the project.</td>
<td>Functioning monitoring system during stage 2</td>
<td>It is a risk that the IMS for RWSS continues to deprive data necessary for planning.</td>
</tr>
<tr>
<td></td>
<td>Holistic analysis of the present and expected climate</td>
<td>MLGH progress reports</td>
<td>It is assumed that all Government of Zambia</td>
</tr>
<tr>
<td>Component 2 – Field testing climate resilient approaches and methods to be used in National Water and Sanitation Program</td>
<td>Climate resilient water supply and sanitation services operating in 80-100 communities</td>
<td>Maintenance reports SOMAP reports MLGH monitoring system</td>
<td>Untimely mobilisation of communities is a risk It is a risk that Government of Zambia fails to maintain a cadre of sufficiently skilled and experienced personnel, to manage the project</td>
</tr>
<tr>
<td>Component 3 – Dissemination of results and integration of results into national policy.</td>
<td>Climate change adaptation manual including the individual guidelines, presented at a national workshop by the end of the project</td>
<td>Climate change adaptation manual and guidelines developed Proceedings for presentation workshop</td>
<td>It is assumed that the results from the field testing are positive and district staff can see the benefit in the approach. MLGH adopts results in its normal procedures and into the planned policy. Coordination between the MLGH and Interim Climate Change secretariat</td>
</tr>
</tbody>
</table>
PROJECT EXECUTION

Procurement

The project will be implemented through parallel co-financing. The Ministry for Local Government and Housing will be responsible for procurement in accordance with NDF Procurement Guidelines. A procurement plan will be developed by the implementing agency prior to the signing of the agreement between GRZ and NDF.

The NDF-funded component includes one large international consultancy contract including procurement of all goods, works and services. The service provider will be recruited on the basis of quality- and cost-based selection (QCBS) method to provide international and national expert services. Procurement will be open to international and local firms, both individually or as part of consortia for the purposes of this contract. Advertisement of the opportunity will take place internationally, in Zambia and on the NDF website.

Disbursements

NDF will disburse the grant through direct payment to the selected consulting firm or to suppliers and contractors of services and goods to be procured against disbursement requests from the Ministry of Finance, endorsed by Ministry of Local Government and Housing. A detailed disbursement estimate will be prepared when the consultant firm has been recruited.