

No. 9650

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
ZAMBIA**

**Loan Agreement—*Industrial Forestry Project* (with annexed
Loan Regulations No. 3, as amended). Signed at Washington
on 5 October 1968**

Authentic text: English.

*Registered by the International Bank for Reconstruction and Development on 23 June
1969.*

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
ZAMBIE**

**Contrat d'emprunt — *Projet relatif à la sylviculture industrielle*
(avec, en annexe, le Règlement n° 3 sur les emprunts, tel qu'il
a été modifié). Signé à Washington le 5 octobre 1968**

Texte authentique: anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement le
23 juin 1969.*

LOAN AGREEMENT¹

AGREEMENT, dated October 5, 1968, between the REPUBLIC OF ZAMBIA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

Article I

LOAN REGULATIONS; DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of Loan Regulations No. 3 of the Bank, dated February 15, 1961 as amended February 9, 1967,² with the same force and effect as if they were fully set forth herein, subject, however, to the following modification thereof (said Loan Regulations No. 3, as so modified, being hereinafter called the Loan Regulations): Section 4.01 is deleted.

Section 1.02. Wherever used in the Loan Agreement, the following terms shall have the following meanings:

(a) "Department" means Forest Department of the Borrower;

(b) "Division" means Industrial Plantations Division established within the Department.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to five million three hundred thousand dollars (\$5,300,000).

Section 2.02. (a) The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan.

¹ Came into force on 15 November 1968, upon notification by the Bank to the Government of Zambia.

² See p. 320 of this volume.

(b) The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Loan Regulations and in accordance with the allocation of the proceeds of the Loan set forth in Schedule 1 to this Agreement, as such allocation shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement between the Borrower and the Bank.

Section 2.03. (a) The Borrower shall be entitled to withdraw from the Loan Account in respect of the reasonable cost of goods required for the Project and to be financed under this Loan Agreement:

- (i) such amounts as shall have been paid (or, if the Bank shall so agree, shall be required to meet payments to be made) in currencies other than currency of the Borrower for expenditures under Category I of the allocation of the proceeds of the Loan set forth in Schedule 1 to this Agreement; and
- (ii) the equivalent of forty-four per cent (44%) of such amounts as shall have been paid (or, if the Bank shall so agree, shall be required to meet payments to be made) for expenditures under Category II of said Schedule 1; provided, however, that if there shall be an increase in the estimate of such expenditures, the Bank may by notice to the Borrower adjust the above percentage as required in order that withdrawals of the amount of the Loan then allocated to such Category and not withdrawn may continue *pro rata* with the expenditures remaining to be made under such Category. Except as the Bank shall otherwise agree, withdrawals pursuant to this Subsection (ii) shall not exceed the amount equivalent to \$800,000 in any calendar year.

(b) Except as shall be otherwise agreed between the Borrower and the Bank, no withdrawals shall be made on account of: (i) expenditures made prior to January 1, 1969, or (ii) expenditures made in the territories of any country which is not a member of the Bank (except Switzerland) or for goods produced in (including services supplied from) such territories.

Section 2.04. Withdrawals from the Loan Account pursuant to Section 2.03 (a) (ii) of this Agreement shall be in such currency or currencies as the Bank shall from time to time reasonably select.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. The Borrower shall pay interest at the rate of six and one-half per cent ($6\frac{1}{2}\%$) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.07. Except as the Borrower and the Bank shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum on the principal amount of any such special commitment outstanding from time to time.

Section 2.08. Interest and other charges shall be payable semi-annually on January 15 and July 15 in each year.

Section 2.09. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall apply the proceeds of the Loan in accordance with the provisions of this Agreement to expenditures on the Project, described in Schedule 3 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, the following goods to be financed out of the proceeds of the Loan shall be procured as follows:

- (i) contracts amounting to \$15,000 equivalent or more for the purchase of tractors, dozers, graders, trucks and personnel vehicles and for land clearance will be awarded on the basis of international competitive bidding in accordance with the Guidelines for Procurement under World Bank Loans and IDA Credits, published by the Bank in February 1968, and in accordance with such other procedures supplementary thereto as shall be agreed between the Borrower and the Bank and such contracts shall be subject to the approval of the Bank; and

- (ii) contracts for the items listed in the preceding paragraph (i) amounting to less than \$15,000 equivalent and contracts for the purchase of fire tenders, plantation equipment and materials for construction of buildings and roads will be awarded on the basis of competitive procedures conducted by the Central Supply and Tender Board of the Borrower, and in accordance with such other procedures as shall be agreed between the Borrower and the Bank.

Section 3.03. Except as the Bank shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be used exclusively in carrying out the Project.

Article IV

BONDS

Section 4.01. If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VI of the Loan Regulations.

Section 4.02. The Minister responsible for finance of the Borrower is designated as authorized representative of the Borrower for the purposes of Section 6.12 of the Loan Regulations. The Minister responsible for finance of the Borrower may designate additional or other authorized representatives by appointment in writing notified to the Bank.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall carry out the Project with due diligence and efficiency and in accordance with sound silvicultural, administrative and financial practices, and shall make available, promptly as needed, the lands, funds, facilities, services and other resources required for the purpose.

(b) The Borrower shall cause the Division to operate on a commercial basis and shall maintain a separate budget for capital and revenue receipts and expenditures of the Division, subject to the Ministry of Finance Instructions for the Forest Department Industrial Plantations Project, dated August 15, 1968, except as may be otherwise agreed by the Borrower and the Bank.

(c) In carrying out the Project, the Borrower shall employ staff of adequate professional competence and experience. The Borrower shall assign to the Division as the head of the Division and the officers in charge of the respective sections of the Division concerned with plantation management, production and accounting, staff with professional competence and experience which are mutually satisfactory to the Borrower and the Bank.

(d) Except for replacement planting the Borrower shall not vary the planting program referred to in Schedule 3 to this Agreement for the eight years ending December 31, 1976 by more than ten per cent of the acreage of pine or of eucalypt to be planted in any such year without the agreement of the Bank.

(e) The Borrower shall cause the plantations established as a result of the Project, and all buildings, roads and equipment related to the Project, to be maintained and exploited in accordance with sound silvicultural, engineering and commercial practices and shall make available, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(f) The Borrower shall furnish to the Bank, promptly upon their preparation, the work and procurement schedules for the Project and any modification subsequently made therein, in such detail as the Bank shall reasonably request.

(g) The Borrower shall maintain, or cause to be maintained, records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect, in accordance with consistently maintained sound commercial accounting practices, the operations and financial condition of the Division; shall enable the Bank's representatives to inspect the Project, the goods and any relevant records and documents; and shall furnish or cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the goods and the operations of the Department and the Division.

Section 5.02. The Borrower shall cause the Division to have its financial statements (balance sheet and related statement of earnings and expenses) certified annually by an independent accountant or accounting firm acceptable to the Bank and shall promptly after their preparation, and not later than four months after the close of the fiscal year to which they apply, transmit to the Bank certified copies of such statements and a signed copy of the accountant's or accounting firm's report.

Section 5.03. (a) The Borrower shall make provisions satisfactory to the Bank for insurance against such risks in connection with the Borrower's Industrial Plantations Program referred to in Schedule 3 of this Agreement and in such manner as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, the Borrower undertakes to insure the imported goods to be financed out of the proceeds of the Loan against marine, transit and other hazards incident to acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

Section 5.04. (a) The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as shall be reasonably requested with regard to the general status of the Loan. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Bank shall from time to time at the request of either party exchange views through their representatives with regard to matters relating to the purposes of the Loan, the maintenance of the service thereof and the administration, operations and financial condition of the Division. The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Borrower for purposes related to the Loan.

Section 5.05 It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of

the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term “assets of the Borrower” as used in this Section includes assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision, including the Bank of Zambia and any other institution performing the functions of a central bank.

Section 5.06. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes, and free from all restrictions, imposed under the laws of the Borrower or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Borrower.

Section 5.07. The Loan Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof, and the Borrower shall pay all such taxes, if any imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a) or paragraph (b) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be June 30, 1977, or such other date as may be agreed between the Borrower and the Bank.

Section 7.02. If the Loan Agreement shall not have come into force and effect by December 31, 1968, the Loan Agreement and all obligations of the parties hereunder shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for the purposes of this Section. The Bank shall promptly notify the Borrower of such later date.

Section 7.03. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations:

For the Borrower:

Ministry of Finance
P. O. Box RW. 62
Ridgeway
Lusaka, Zambia

Cable address:

Finance, Ridgeway
Lusaka

For the Bank:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Intbafrad
Washington, D.C.

Section 7.04. The Minister responsible for finance of the Borrower is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of Zambia:

By E. H. K. MUDENDA
Authorized Representative

International Bank for Reconstruction and Development:

By J. Burke KNAPP
Vice President

SCHEDULE 1

ALLOCATION OF PROCEEDS OF LOAN

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
I. C.I.F. cost of imported tractors, dozers and graders . .	690,000
II. Other expenditures on the Project	4,140,000
III. Unallocated	470,000
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TOTAL	5,300,000
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REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in either of the Categories I or II shall decrease, the amount of the Loan then allocated to, and no longer required for, such Category will be reallocated by the Bank to Category III.

2. If the estimate of the cost of the items included in either of the Categories I or II shall increase, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Loan (or, in the case of Category II, an amount equal to 44% of such increase) will be allocated by the Bank, at the request of the Borrower, to such Category from Category III, subject, however, to the requirements for contingencies, as determined by the Bank, in respect of the cost of the items in the other Category.

SCHEDULE 2

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>
July 15, 1978	\$100,000	July 15, 1986	\$170,000
January 15, 1979	105,000	January 15, 1987	175,000
July 15, 1979	110,000	July 15, 1987	180,000
January 15, 1980	110,000	January 15, 1988	185,000
July 15, 1980	115,000	July 15, 1988	195,000
January 15, 1981	120,000	January 15, 1989	200,000
July 15, 1981	125,000	July 15, 1989	205,000
January 15, 1982	125,000	January 15, 1990	210,000
July 15, 1982	130,000	July 15, 1990	220,000
January 15, 1983	135,000	January 15, 1991	225,000
July 15, 1983	140,000	July 15, 1991	235,000
January 15, 1984	145,000	January 15, 1992	240,000
July 15, 1984	150,000	July 15, 1992	250,000
January 15, 1985	155,000	January 15, 1993	255,000
July 15, 1985	160,000	July 15, 1993	265,000
January 15, 1986	165,000		

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05(b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations:

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity	1½ %
More than three years but not more than six years before maturity	1¼ %
More than six years but not more than eleven years before maturity	2¼ %
More than eleven years but not more than sixteen years before maturity	3¼ %
More than sixteen years but not more than twenty-one years before maturity	5 %
More than twenty-one years but not more than twenty-three years before maturity	6 %
More than twenty-three years before maturity	6½ %

SCHEDULE 3

DESCRIPTION OF PROJECT

The Project is a part of the Borrower's Forest Department Industrial Plantations Program which is designed to establish 30,000 acres of eucalypt and 75,000 acres of pine plantations by 1993 in three main blocks known as Chati, Lamba and Ndola. The Project consists of the part of this program commencing January 1, 1969, and ending December 31, 1976 and includes the planting of approximately 2,500 acres of eucalypt and 2,500 acres of pine in each of these years, and the maintenance of the plantations. The Project will be managed by the Division.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 15 FEBRUARY 1961, AS AMENDED 9 FEBRUARY 1967

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[Not published herein. See United Nations, Treaty Series, vol. 615, p. 98.]