

No. 10546

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

**Loan Agreement—*Second Education Project* (with annexed  
General Conditions Applicable to Loan and Guarantee  
Agreements). Signed at Washington on 20 November  
1969**

*Authentic text: English.*

*Registered by the International Bank for Reconstruction and Development on  
15 June 1970.*

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

**Contrat d'emprunt — *Deuxième projet relatif à l'enseigne-  
ment* (avec, en annexe, les Conditions générales appli-  
cables aux contrats d'emprunt et de garantie). Signé à  
Washington le 20 novembre 1969**

*Texte authentique : anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développe-  
ment le 15 juin 1970.*

## LOAN AGREEMENT<sup>1</sup>

AGREEMENT, dated November 20, 1969, between the REPUBLIC OF ZAMBIA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

### *Article I*

#### GENERAL CONDITIONS; DEFINITIONS

*Section 1.01.* The parties to this Loan Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 31, 1969,<sup>2</sup> with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank being hereinafter called the General Conditions).

*Section 1.02.* Wherever used in this Loan Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Minister" means the member of the Cabinet charged with the functions of the "Minister responsible for finance" under the General Loans (International Bank) Act, 1966, of Zambia, or, if the President assumes such functions, the President.

(b) "University" means the University of Zambia.

### *Article II*

#### THE LOAN

*Section 2.01.* The Bank agrees to lend to the Borrower, on the terms and conditions in this Loan 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.

<sup>1</sup> Came into force on 5 May 1970, upon notification by the Bank to the Government of Zambia.

<sup>2</sup> See p. 236 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 Loan Agreement 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.* The Borrower shall be entitled to withdraw from the Loan Account in respect of the reasonable cost of goods or services 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) for goods or services included in Category III of the allocation of the proceeds of the Loan referred to in Section 2.02 of this Agreement; and
- (ii) the equivalent of sixty-seven and one-half per cent (67.5%) 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 goods or services included in Categories I and II of the allocation of the proceeds of the Loan referred to in Section 2.02 of this Agreement, which percentage represents the estimated foreign exchange component of the cost of such goods or services;

provided, however, that if there shall be an increase in the estimate of such payments for goods or services included in either Category I or II, the Bank may by notice to the Borrower adjust the stated percentage applicable to such Category 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 payments remaining to be made for goods or services included in such Category.

*Section 2.04.* It is hereby agreed, pursuant to Section 5.01 of the General Conditions:

- (i) that withdrawals from the Loan Account under Categories I and II of the allocation of the proceeds of the Loan referred to in Section 2.02 of this Agreement may be made on account of payments in the currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower; and
- (ii) that withdrawals from the Loan Account under Category II of the said allocation may be made on account of payments made prior to the date

of this Agreement but after October 1, 1969 and in an amount not exceeding \$50,000 equivalent.

*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 seven per cent (7%) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

*Section 2.07.* Interest and other charges shall be payable semi-annually on January 15 and July 15 in each year.

*Section 2.08.* 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 LOAN

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

*Section 3.02.* Except as the Bank shall otherwise agree, the goods and services to be financed out of the proceeds of the Loan shall be procured on the basis of competitive bidding in accordance with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969, and in accordance with such other procedures supplementary thereto as are set forth in Schedule 4 to this Agreement or as shall be agreed between the Borrower and the Bank. Such competitive bidding shall be international for all contracts, except for construction included in Category I of Schedule 1 to this Agreement amounting to less than \$140,000 equivalent, for which competition within Zambia will suffice.

*Section 3.03.* Except as the Bank shall otherwise agree, the Borrower shall cause all goods and services 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 VIII of the General Conditions.

*Section 4.02.* The Minister and such other person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 8.10 of the General Conditions.

#### *Article V*

##### PARTICULAR COVENANTS

*Section 5.01.* The Borrower shall carry out the Project with due diligence and efficiency, in conformity with sound administrative, financial, educational and architectural practices and with due regard to economy, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

*Section 5.02. (a)* The Borrower shall establish adequate planning procedures within the University and for that purpose appoint a qualified planning officer.

*(b)* The Borrower shall establish a Project Unit within the Office of the Resident Architect of the University, with such responsibilities, powers and staff as are specified in Schedule 5 to this Agreement.

*Section 5.03.* The Borrower shall, within two years of the date of this Agreement, cause an Architectural Master Plan of the University, covering all elements of the development of the campus appropriate for an enrollment of 5,000 students, to be prepared and presented to the Bank for comment. On the basis of the zoning and land-use scheme of the campus already approved by the Bank, the Plan shall specify the requirements for, and the proposed utilization of, space and accommodation, and indicate the general areas and locations of the required buildings and other facilities.

*Section 5.04.* The Borrower shall employ, upon terms and conditions mutually satisfactory to the Borrower and the Bank:

- (a) firms of consulting architects mutually acceptable to the Borrower and the Bank, to be selected and retained in accordance with the procedures set forth in the booklet entitled *Uses of Consultants by the World Bank and its Borrowers*, published by the Bank in September 1966, to provide the architectural, engineering and other technical services to carry out the Project, to supervise the construction and to certify contractors' invoices;

(b) qualified and experienced contractors mutually acceptable to the Borrower and the Bank.

*Section 5.05.* The Borrower shall facilitate the entry into its territories of skilled personnel in connection with the implementation of the Project.

*Section 5.06.* The Borrower shall, before starting the construction of any building included in the Project, furnish to the Bank for its approval, in such detail as it shall reasonably request, a plan of such building, indicating its architectural features and furnishings. Any subsequent material modifications shall similarly be submitted to the Bank before they are implemented.

*Section 5.07.* The Borrower shall endeavor to utilize the buildings included in the Project at their designed capacity and shall operate them so as to achieve its educational objectives.

*Section 5.08.* The Borrower shall adequately maintain the buildings and equipment included in the Project and make all necessary renewals and repairs thereof in accordance with sound technical and administrative practices.

*Section 5.09.* The Borrower shall make or cause to be made adequate provision to insure the 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, any indemnity under such insurance to be payable in a currency freely usable by the Borrower to replace or repair such goods.

*Section 5.10.* The Borrower (i) shall maintain or cause to be maintained records adequate to identify the goods and services 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 the expenditure of the proceeds of the Loan and to reflect in accordance with consistently maintained sound accounting practices the operations, in respect of the Project, of the departments or agencies of the Borrower and the University responsible for the carrying out of any part of the Project; (ii) shall enable accredited representatives of the Bank to inspect the Project, such goods and services, and any relevant records and documents; and (iii) 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; such goods and services; the Project; the University and the plans for its development; and the operations, in respect of the Project, of the departments or agencies

of the Borrower and the University responsible for the carrying out of any part of the Project.

*Section 5.11.* (a) The Borrower and the Bank shall cooperate fully to ensure that the purposes of the Loan will be accomplished. To that end, 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 and the maintenance of the service thereof, and each of them shall furnish to the other all such information as it shall reasonably request 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 balance of payments position of the Borrower.

(b) 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, the carrying out of the Project or the maintenance of the service of the Loan.

(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 5.12.* (a) 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.

(b) 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 5.13.* 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 5.14.* 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.* If any event specified in Section 7.01 of the General Conditions shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Bank, at its option, may by notice to the Borrower declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately together with the interest and other charges thereon and upon any such declaration such principal, interest and charges shall become due and payable immediately, anything to the contrary in this Loan Agreement or in the Bonds notwithstanding.

#### *Article VII*

##### EFFECTIVE DATE; TERMINATION

*Section 7.01.* The following events are specified as additional conditions to the effectiveness of this Loan Agreement within the meaning of Section 11.01 (c) of the General Conditions:

- (a) the Borrower has established the Project Unit provided for in Section 5.02 (b) of this Agreement; and
- (b) the Borrower has appointed the Project Director and the estate bursar or quantity surveyor provided for in subparagraphs 2 (a) and (b) of Schedule 5 to this Agreement.

*Section 7.02.* The date of February 28, 1970 is hereby specified for the purposes of Section 11.04 of the General Conditions.



*Article VIII*

## MISCELLANEOUS

*Section 8.01.* The Closing Date shall be August 31, 1973 or such other date as shall be agreed between the Borrower and the Bank.

*Section 8.02.* The Minister is designated as representative of the Borrower for the purposes of Section 10.03 of the General Conditions.

*Section 8.03.* The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

For the Borrower:

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

Alternative address for cables:

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

Alternative address for cables:

Intbafrad  
Washington, D.C.

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 to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of Zambia:

By RUIPIAH B. BANDA  
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. Construction, including fixed furnishings and fittings	3,350,000
II. Architectural and other technical services	480,000
III. Instructional equipment and furniture	1,100,000
IV. Unallocated	370,000
<b>TOTAL</b>	<b><u>5,300,000</u></b>

REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimates of the cost of the items included in any of the Categories I to III 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 IV.

2. If the estimate of the cost of the items included in any of the Categories I to III 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 I or II, an amount equal to 67.5% of such increase) will be allocated by the Bank, at the request of the Borrower, to such Category from Category IV, subject, however, to the requirements for contingencies, as determined by the Bank, in respect of the cost of the items in the other Categories.

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>
January 15, 1980	95,000	January 15, 1988	170,000
July 15, 1980	100,000	July 15, 1988	175,000
January 15, 1981	105,000	January 15, 1989	180,000
July 15, 1981	110,000	July 15, 1989	185,000
January 15, 1982	110,000	January 15, 1990	195,000
July 15, 1982	115,000	July 15, 1990	200,000
January 15, 1983	120,000	January 15, 1991	210,000
July 15, 1983	125,000	July 15, 1991	215,000
January 15, 1984	130,000	January 15, 1992	220,000
July 15, 1984	135,000	July 15, 1992	230,000
January 15, 1985	135,000	January 15, 1993	240,000
July 15, 1985	140,000	July 15, 1993	245,000
January 15, 1986	145,000	January 15, 1994	255,000
July 15, 1986	150,000	July 15, 1994	265,000
January 15, 1987	160,000	January 15, 1995	275,000
July 15, 1987	165,000		

\* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), 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 portion of the principal amount of the Loan pursuant to Section 3.05(b) of the General Conditions or on the redemption of any Bond prior to its maturity pursuant to Section 8.15 of the General Conditions :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity . . . . .	¾ %
More than three years but not more than six years before maturity . . . . .	2 %
More than six years but not more than eleven years before maturity . . . . .	2¾ %
More than eleven years but not more than sixteen years before maturity . . . . .	4¼ %
More than sixteen years but not more than twenty-one years before maturity . . . . .	5½ %
More than twenty-one years but not more than twenty-three years before maturity . . . . .	6½ %
More than twenty-three years before maturity . . . . .	7 %

## SCHEDULE 3

## DESCRIPTION OF THE PROJECT

The Project consists of :

- (a) the extension and further equipping of the School of Engineering of the University;
- (b) the extension and further equipping of the School of Education of the University; and
- (c) the construction and furnishing of student hostels for 960 students, including eight staff houses for wardens and caretakers.

The Project is expected to be completed by December 31, 1972.

## SCHEDULE 4

## PROCUREMENT

1. Tender notices in relation to contracts for construction under the Project (hereinafter called construction contracts) will be advertised in economic bid packages sufficiently large to facilitate international competitive bidding. For such contracts amounting to less than \$140,000 equivalent, which under Section 3.02 may be awarded on the basis of domestic competitive bidding, the tender notices shall be widely circulated within Zambia.

2. The award of contracts for procuring furniture and equipment (hereinafter called furniture and equipment contracts) shall be arranged and phased in accordance with sound procurement practices and to permit bulk purchases whenever possible.

3. Prior to inviting bids, the Borrower shall obtain the Bank's approval:

- (a) with respect to the construction contracts:
  - (i) for a complete list of such contracts, including the estimated value of each and a timetable for their award;
  - (ii) for a list of pre-qualified contractors, including the pre-qualification documents, a description of pre-qualification procedures and recommendations for pre-qualification;
- (b) with respect to the furniture and equipment contracts:
  - (i) for lists of all items of furniture and instructional equipment required for the Project, including the specifications and estimated unit and total prices of each item (c.i.f. Lusaka);
  - (ii) for a schedule showing the approximate time of procurement of major groups of items;
- (c) for the bid invitation documents, with descriptions of the tendering procedures (including the advertising coverage); and
- (d) for the proposed contract documents.

4. After bids have been received, the Borrower shall promptly send to the Bank a summary and analysis of these, together with recommendations for awards and a justification for any award proposed to be made to other than the lowest bidder. Before an award is made that:

- (a) involves an amount of \$140,000 equivalent or more for a construction contract of \$25,000 equivalent or more for a furniture and equipment contract; or
- (b) is for an amount above the lowest bid received; or
- (c) is for an amount exceeding by 10% or more the estimated value or price approved pursuant to paragraph 3(a) (i) or 3(b) (i) above,

the Borrower shall ascertain from the Bank whether such a contract will be acceptable for financing out of the proceeds of the Loan.

5. As soon as possible after the execution of any contract and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of the contract, the Borrower shall send a certified copy thereof to the Bank.

6. Without the Bank's prior approval no contract shall be changed so as to increase the price either 5% or more, or for a construction contract by \$25,000 equivalent or more, above that originally specified.

## SCHEDULE 5

## THE PROJECT UNIT

1. The Project Unit shall be responsible, and have the necessary powers, for the execution of the Project, including, *inter alia*:

- (a) the selection, briefing, coordination and supervision of the firms of architects provided for in Section 5.04(a);
- (b) the approval of the design of the buildings included in the Project;
- (c) the preparation of detailed price lists of the furniture and instructional equipment to be procured for the Project;
- (d) the supervision of the preparation of bidding documents for all construction work and for the procurement of furniture and instructional equipment; the analysis of bids and, where required by Schedule 4, the making of recommendations regarding the award of contracts;
- (e) the regular inspection of all construction work; and
- (f) the keeping of records, including financial records, of the execution of the Project; and the preparation of regular reports to the Bank.

2. The Project Unit shall consist of:

- (a) a Project Director acceptable to the Bank, who is to have overall responsibility for the direction and coordination of the Unit's work;
- (b) a full-time estate bursar or quantity surveyor acceptable to the Bank, who is to be particularly responsible for the direction and supervision, through the firms of architects, of all construction work;
- (c) a specialist in equipment procurement and an accountant; and
- (d) administrative and secretarial staff as may be required for carrying out the Unit's responsibilities.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS

[Not published herein. See *United Nations, Treaty Series, vol. 691, p. 300.*]