



**A G R E E M E N T**

**between**

**THE GOVERNMENT OF THE KINGDOM OF NORWAY**

**and**

**THE GOVERNMENT OF THE REPUBLIC OF ZAMBIA**

**regarding**

**development cooperation concerning poverty reduction budget support**

WHEREAS the Government of the Kingdom of Norway (Norway) and the Government of the Republic of Zambia (Zambia) have entered into an agreement dated 5 September 2000 regarding cooperation for promotion of the economic and social development of Zambia. In addition Norway also signed the Joint Assistance Strategy for Zambia in April 2007 where Budget Support is the preferred aid modalities to support the implementation of the Fifth National Development Plan.

WHEREAS Norway and Sweden signed a Memorandum of Understanding to provide Poverty Reduction Budget Support (PRBS), with Zambia (MoU) on the 29 June 7 2005, and the United Kingdom, the Netherlands, The European Union, and the World Bank signed the MoU on the 7 April 2005,

WHEREAS Norway has provided Poverty Reducing Budget Support to Zambia through agreement dated 25 November 2005,

Whereas Zambia has requested support from Norway and the governments of the Netherlands, the United Kingdom, Sweden, Finland, Germany, the European Union, the World Bank and the African Development Bank (the Donors), to provide Poverty Reduction Budget Support to support the implementation of the National Development Plan (2006-2010),

WHEREAS Norway has decided to comply with the request,

NOW THEREFORE NORWAY and Zambia have reached the following understanding which shall constitute an Agreement between Norway and Zambia:

### **Article I Scope and Objectives**

1. This Agreement sets forth terms and procedures for Norway's financial assistance to Zambia in the form of poverty reduction budget support (the Programme). Moreover the provisions of the MoU shall be complied with. In case of inconsistency between this Agreement and the MoU, this Agreement shall prevail.
2. The Goal of the Programme is to support the Government in the implementation of the Fifth National Development Plan (FNDP).

The Purpose of the Programme is to contribute to poverty reduction in Zambia through sustained broad-based economic growth, improved delivery of social services and crosscutting policies for HIV/AIDS, gender and environment.

**Article II**  
**Cooperation – Representation**

1. The Parties shall communicate and cooperate fully with the aim to ensure that the Goal and Purpose are successfully achieved. The Parties further agree to cooperate on preventing corruption within and through the Programme, and undertake to take rapid legal action to stop, investigate and prosecute in accordance with applicable law any person suspected of misuse of resources or corruption. The Parties shall immediately inform each other of any indication of corruption or misuse of resources related to the Programme.
2. In matters pertaining to the implementation of the Programme the Norwegian Ministry of Foreign Affairs (MFA) and the Ministry of Finance and National Planning (the Ministry) shall be competent to represent Norway and Zambia respectively.

The Norwegian Embassy in Lusaka (the Embassy) is, as a part of MFA, competent to act on behalf of MFA. All communication to Norway in regard to the Agreement shall be directed to the Embassy.

3. Zambia shall permit representatives of Norway to visit any part of Zambia for purposes related to this Agreement and examine any relevant records, goods and documents.

**Article III**  
**Contribution and disbursements**

1. Norway shall, subject to Parliamentary appropriations and the terms and procedures of this Agreement and the MOU, make available to Zambia a financial grant not exceeding NOK 648,995,000 (Norwegian Kroner six hundred and forty eight million nine hundred and nintyfive thousand) (the Grant) to be used exclusively to finance the Programme in the planned period 2007-2010. The Grant includes NOK 78,995 Million for 2007.
2. Any accrued interest on the Grant may be used for the benefit of the Programme.
3. The Grant will be disbursed upon annual written requests from Zambia based on the financial need of the implementation of the national budget and, except for the first request, on the stated work plan and budgets as confirmed in the National Development Plan and the Medium Term Expenditure Framework of the Government of Zambia. The first

disbursement, amounting to NOK 78,995,000, will be made upon signing of this Agreement and approval by Norway of a disbursement request from Zambia. For 2008 – 2010 the annual disbursements are planned to be NOK 190 million.

4. Funds will be transferred upon Norway's approval of the requests to a separate bank account to which the money should be disbursed and the currency in which Zambia would like the disbursement to be made. The disbursement shall then be made available to the Programme immediately.
5. Zambia shall immediately in writing acknowledge the receipt of the funds. The date of reception shall be stated as well as the exchange rate.

#### **Article IV Reservations**

1. Norway reserves the right to carry out unilateral reviews of the Programme at its own expense.
2. Norway reserves the right to withhold and/or reclaim all or parts of the Grant if Programme funds are found not to have been used in accordance with the terms and conditions of this Agreement and the MOU or are found not to be satisfactorily accounted for.
3. Norway has the right to cancel the Agreement or portion of the Agreement, and has the right to demand the cancellation of any contract financed under the Agreement with immediate effect if it determines that corrupt or fraudulent practices were engaged in by representatives of Zambia or by a beneficiary of Programme funds during procurement or execution of such contract without Zambia having taken timely and appropriate action satisfactory to Norway to remedy the situation.
3. Before Norway withholds disbursements, reclaims funds or cancels the Agreement, the Parties shall consult with a view to reaching a solution in the matter, and according to the principles set out in the MOU.






## Article V Disputes - Entry into force - Termination

1. The Agreement shall enter into force on the date of its signature, and shall remain in force as long as the MoU remains in force or both Parties have fulfilled all obligations arising from the Agreement, whichever comes first. Whether the obligations are fulfilled, shall be determined in consultations by the Parties.
2. Notwithstanding the previous clause each Party may terminate the Agreement upon three months written notice.
3. If any dispute arises relating to the implementation or interpretation of the Agreement, the Parties shall consult with a view to reaching a solution.

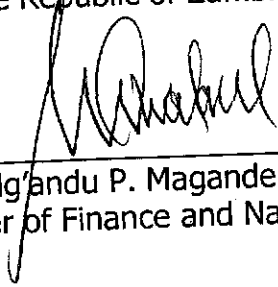
IN WITNESS WHEREOF the undersigned, acting on behalf of the respective Governments, have signed the present Agreement in two originals in the English language.

Done in Lusaka, Zambia, the...19... day of...October...of...2007

For the Government of  
the Kingdom of Norway

  
Terje Vigtel  
Ambassador

For the Government of  
the Republic of Zambia

  
Hon. Ng'andu P. Magande, MP  
Minister of Finance and National Planning