

Public Disclosure Authorized

CONFORMED COPY

GRANT NUMBER H502-LS

Financing Agreement

(HIV and AIDS Technical Assistance Project)

between

KINGDOM OF LESOTHO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 21, 2009

Public Disclosure Authorized



GRANT NUMBER H502-LS

FINANCING AGREEMENT

AGREEMENT dated October 21, 2009, entered into between KINGDOM OF LESOTHO (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to three million three hundred thousand Special Drawing Rights (SDR 3,300,000) (“Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Payment Dates are February 15 and August 15 in each year.
- 2.05. The Payment Currency is Dollars.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient

shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following, namely, that a situation shall have arisen which shall make it improbable that the NSP or a significant part thereof will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Recipient has established the Steering Committee referred to in Section I.A.1 of Schedule 2 to this Agreement.
 - (b) The Recipient has adopted the Project Operations Manual.
 - (c) The Recipient has updated the Chart of Accounts, in a manner satisfactory to the Association.
 - (d) The Recipient has prepared and finalized the terms of reference, acceptable to the Association, for the recruitment of the auditors referred to in Section 4.09 (b) of the General Conditions.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is its Minister responsible for Finance.

6.02. The Recipient's Address is:

Ministry of Finance and Development Planning
P.O. Box 395
Maseru, 100
Lesotho

Cable address:
FINMIN

Facsimile:
266 22 310 157

6.03. The Association's Address is:

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

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI)

1-202-477-6391

AGREED at Maseru, Kingdom of Lesotho, as of the day and year first above written.

KINGDOM OF LESOTHO

By /s/ Timothy Thahane

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Ruth Kagia

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to assist the Recipient in building capacity of government agencies and civil society organizations at both the national and the local level to address the identified key gaps in implementing the National HIV and AIDS Strategic Plan in an effort to contain and reverse the endemic.

The Project consists of the following parts:

Part 1. Improving Institutional Capacity to Implement the Multisectoral Response

Carrying out a program of activities aimed at building the capacity of national level institutions for HIV and AIDS multisectoral response, including coordination, monitoring and evaluation, mainstreaming and implementing HIV/AIDS activities, and generation of evidence to guide a more effective national response.

Part 2. Improving Capacity to Scale-up the Health Sector Response

Carrying out a program of activities to strengthen the capacity of MOHSW for delivering HIV services and mitigating the impact of the epidemic, including: (a) supporting the delivery of effective HIV services that are more integrated with other services; (b) mitigating the impact of the epidemic on orphans and vulnerable children; and (c) strengthening institutional capacity for evidence-based planning, Project management, monitoring and evaluation.

Part 3. Capacity Support to the Decentralized Local Response

Carrying out a program of activities to support the decentralized local response, including: (a) strengthening the capacity of Community Councils for coordinating, implementing and monitoring of the Essential Service Package; (b) developing and strengthening the operational and management capacities of the District AIDS Committee and the Community AIDS Committee for harmonizing HIV and TB activities; and (c) strengthening the skills and operational capacity of the community-based organizations for providing, monitoring, evaluating and reporting on HIV and TB services at the community.

SCHEDULE 2**Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements**1. Steering Committee

- (a) The Recipient shall establish, and thereafter maintain throughout Project implementation, the Steering Committee, with mandate and composition satisfactory to the Association, to be chaired by NAC, and comprising officials of the Implementing Agencies at director level or above.
- (b) The Steering Committee shall be responsible for providing overall policy and implementation guidance and approving annual work plans and budgets.

2. Technical Working Group

- (a) The Recipient shall maintain, throughout Project implementation, the Technical Working Groups for each Part of the Project, with resources and terms of reference satisfactory to the Association and comprising technical staff from the Implementing Agencies.
- (b) The Technical Working groups shall be responsible for addressing technical and implementation issues within the respective Parts of the Project and for preparing the Annual Work Plans and Budget.

3. NAC

- (a) The Recipient shall maintain, throughout Project implementation, the NAC, with adequate resources, mandate and staff, satisfactory to the Association.
- (b) The Recipient shall ensure that NAC is maintained, throughout Project implementation, with a functional management team and a clearly defined management structure, satisfactory to the Association.
- (c) The NAC shall be responsible for Project Coordination, and monitoring and evaluation of the Project.

4. NAC, GFCU, MOHSW, MOLGC and LCN

The Recipient shall ensure that: (a) Part 1 of the Project is carried out by NAC, GFCU and LCN; (b) Part 2 of the Project is carried out by MOHSW; and (c) Part 3 of the Project is carried out by MOLGC and LCN.

5. PAU

(a) The Recipient shall, throughout Project implementation, maintain the PAU within the MOHSW with adequate resources, terms of reference and staff satisfactory to the Association.

(b) The PAU shall be responsible for financial management of the Project.

6. PU

(a) The Recipient shall, throughout Project implementation, maintain the PU, within the MOHSW, with adequate resources, terms of reference and staff satisfactory to the Association.

(b) The PU shall be responsible for carrying out procurement activities for the Project.

7. MOHSW

The MOHSW shall:

(a) not later than twelve (12) months after the Effective Date, develop and submit to the Association, for its review and comments, a staff development plan designed to enhance the capacity and effectiveness of its staff in terms of the realization of the objectives of the Project; and

(b) proceed thereafter to implement the plan, taking into account any comments provided thereon by the Association, and in accordance with the guidelines and procedures, and indicative time frames, provided in the plan.

B. Project Operational Manual

1. The Recipient shall:

(a) adopt a Project Operations Manual, in form and substance satisfactory to the Association, giving details of guidelines and procedures agreed with the Association for the implementation, supervision, and monitoring and evaluation, of the Project, including:

- (i) institutional and staffing arrangements;
 - (ii) reporting requirements as set forth in Section II.A of Schedule 2 to this Agreement;
 - (iii) financial management and procurement procedures;
 - (iv) monitoring and evaluation procedures; and
 - (v) safeguards procedures and roles; and
- (b) thereafter, implement the Project in accordance with the Project Operational Manual, provided, however, that in the event of a discrepancy between the Project Operational Manual, and this Agreement, this Agreement shall prevail.
2. Except as the Association shall otherwise agree in writing, the Recipient shall not amend or waive any provision thereof if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.

C. Anti-Corruption

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

D. National Health Care Waste Management Plan

1. The Recipient shall carry out the Project in accordance with the provisions of the NHCWMP and, except as the Association shall otherwise agree in writing, shall not amend or waive, or permit to be amended or waived, any provision of the NHCWMP.
2. The Recipient shall ensure that the Project Reports referred to in Section II of this Schedule shall include adequate information on the status of compliance with the NHCWMP, giving details of:
- (a) measures taken in furtherance of such NHCWMP;
 - (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such NHCWMP; and
 - (c) remedial measures taken or required to be taken to address such conditions.

Section II. Project Monitoring, Reporting and Evaluation**A. Project Reports**

1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than forty five (45) days after the end of the period covered by such report.
- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:
 - (i) Percentage of clients that express satisfaction with HIV coordinators at national and local levels (NAC, MOHSW, District AIDS Committees Community Councils, umbrella organizations and District Health Management Teams).
 - (ii) Percentage of trained district councils, community councils, non-governmental organizations, community-based organization and faith-based organization that submit Lesotho output monitoring system for HIV and AIDS forms on time in the last 2 quarters.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than forty five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) National Competitive Bidding
(b) Direct Contracting
(c) Shopping
(d) Procurement from United Nations Agencies

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Least-Cost Selection
(b) Selection Based on the Consultants’ Qualifications
(c) Selection under a Fixed Budget
(d) Quality-Based Selection
(e) Selection of Individual Consultants
(f) Single-Source Selection

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

- The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
- The following table specifies the category of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the amount of the Grant allocated to the Category, and the percentage of expenditures to be financed for Eligible Expenditures in the Category:

Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
Goods, works, consultants’ services, Operating Costs and Training for the Project.	3,300,000	100%
TOTAL AMOUNT	3,300,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 65,000 equivalent may be made for payments made prior to this date, but on or after July 1, 2009, for Eligible Expenditures.
2. The Closing Date is January 31, 2015.

Section V. Other Undertakings

Annual Work Plans and Budgets

The Recipient shall:

1. furnish to the Association, for review and comments, as soon as available, but in any case not later than March 31 of each year, its proposed annual work plan and budget for the Project for each subsequent year of Project implementation, of such scope and detail as the Association shall have reasonably requested, except for the annual work plan and budget for the Project for the first year of Project implementation, which shall be furnished no later than one (1) month after the Effective Date.
2. proceed thereafter to implement the annual work plan and budget, taking into account any comments provided thereon by the Association.

APPENDIX**Section I. Definitions**

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Chart of Accounts” means the coding elements to be used identifying Project activities and related disbursements categories.
4. “Community AIDS Committee” means a multi-sectoral coordination body at the Community Council-level as outlined in the Recipient’s Coordination Framework for the National Response to HIV and AIDS.
5. “Community Councils” means a legally constituted elected body as outlined in the Recipient’s Local Government Act of 1997, as amended to date hereof.
6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
7. “District AIDS Committee” means a multi-sectoral coordination body at the District Council-level as outlined in the Recipient’s Coordination Framework for the National Response to HIV and AIDS.
8. “Essential Service Package” means a NSP-based HIV & AIDS Community Council planning and implementation approach supported by the MOLGC and NAC, as revised from time to time.
9. “GFCU” means the Global Fund Coordination Unit of MOFDP.
10. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
11. “HIV/AIDS” means Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome.
12. “Implementing Agencies” means the NAC, GFCU, MOFDP, MOHSW, MOLGC and LCN.

13. “Lesotho Council of Non-Governmental Organizations” or “LCN” means council of non-governmental organizations established in 1990 to provide supportive services to the non-governmental organizations.
14. “MOFDP” means the Recipient’s Ministry of Finance and Development Planning, or any successor thereto.
15. “MOHSW” means the Recipient’s Ministry of Health and Social Welfare, or any successor thereto.
16. “MOLGC” means the Recipient’s Ministry of Local Government and Chieftainship, or any successor thereto.
17. “National AIDS Commission” or “NAC” means the commission established and operating pursuant to the Recipient’s Act No. 8 of 2005.
18. “National HIV and AIDS Strategic Plan” or “NSP” means the plan covering the years 2006 to 2011, containing details of the design and content of the Recipient’s national multi-sectoral strategy to fight the HIV/AIDS epidemic and declaring the Recipient’s commitment to the execution of the Program.
19. “National Health Care Waste Management Plan” or “NHCWMP” means the Recipient’s plan, dated March 09, 2009, setting out the national policy, legal, and administrative frameworks for health care waste management, including the guidelines for handling of different streams of waste (segregation), storage, transportation and different disposal methods/technologies.
20. “Operating Costs” means the incremental expenses, incurred by the Implementing Agencies based on the annual budgets referred to in Section V of Schedule 2 to this Agreement as approved by the Association, incurred under the Project on account of operation and maintenance of vehicles, travel expenses and per diem.
21. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
22. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated June 11, 2009 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
23. “Procurement Unit” or “PU” means the unit within the MOHSW referred to in Section I.A.5 of Schedule 2 to this Agreement.

24. “Project Accounting Unit” or “PAU” means the Project Accounting Unit within the MOHSW referred to in Section I.A.5 of Schedule 2 to this Agreement.
25. “Project Operations Manual” means the Project Operations Manual referred to in Section I.B.1 of Schedule 2 to this Agreement.
26. “TB” means tuberculosis.
27. “Training” means the cost of training in all its forms under the Project, including seminars, workshops and study tours, along with the reasonable costs of travel and subsistence for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation, and based on the annual work plans and budgets referred to in Section V of Schedule 2 to this Agreement as reviewed and commented upon by the Association.