

CONFORMED COPY

LOAN NUMBER 7568-BW

Loan Agreement

(National HIV/AIDS Prevention Support Project)

between

REPUBLIC OF BOTSWANA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated January 29, 2009

LOAN NUMBER 7568-BW

LOAN AGREEMENT

Agreement dated January 29, 2009, between REPUBLIC OF BOTSWANA (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank 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 — LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of fifty million Dollars (USD 50,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount. The Borrower shall pay the Front-end Fee not later than 60 days after the Effective Date.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.
- 2.05. The Payment Dates are April 15 and October 15 in each year.

- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project, under the overall coordination and facilitation of NACA, in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Events of Suspension consist of the following:
- (a) The Borrower’s Presidential Directive Cab 32/99, dated December 14, 1999, pertaining to NACA or its operation, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely its ability to implement the Project or perform any of its obligations under this Agreement; and
- (b) a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.
- 4.02. The Additional Event of Acceleration shall be that any event specified in Section 4.01 of this Agreement has occurred.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following:

NACA has recruited the following technical specialists for the Project, in accordance with the requirements of Section III of Schedule 2 of this Agreement: (i) a management and implementation specialist; (ii) a financial management specialist; (iii) a procurement specialist; and (iv) a Health District-level grant officer in each Phase I Health District, in each case with terms of reference, qualifications and experience satisfactory to the Bank.

5.02. The Effectiveness Deadline is the date one hundred and eighty (180) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower's Representative is the Minister at the time responsible for finance and development planning.

6.02. The Borrower's Address is:

Ministry of Finance and Development Planning
Government Enclave
Khama Crescent
Block 25
State Drive
Gaborone
Botswana

Facsimile:
(267) 395 6086

6.03. The Bank's Address is:

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

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED at Gaborone, Republic of Botswana, as of the day and year first above written.

REPUBLIC OF BOTSWANA

By: /s/ Baledzi Gaolathe

Authorized Representative

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By: /s/ Ruth Kagia

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to assist the Borrower in increasing the coverage, efficiency and sustainability of targeted and evidence-based HIV/AIDS interventions by: (a) strengthening NACA's institutional management and coordination capacity; and (b) financing strategic and innovative HIV/AIDS-related prevention and mitigation activities.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time:

Part A: Support to NACA

1. Strengthening the institutional capacity of NACA in coordinating the Project activities, through, *inter alia*, hiring of senior staff to provide technical support for NACA, carrying out of training for NACA's staff and CSOs, and carrying out of studies focusing on social aspects of the HIV/AIDS epidemic.
2. Supporting the development and strengthening of the Borrower's national monitoring and evaluation framework related to HIV/AIDS.

Part B: Beneficiary Ministries

Supporting the development and implementation of Beneficiary Ministries' annual work plans related to HIV/AIDS, including those of: (a) the MOE, focusing on teachers and in-school youths; (b) the MLHA, focusing on prison staff and prisoners; (c) the MLG, focusing on community level stakeholders, including orphans and vulnerable children, as well as out of school youths; (d) the MWT, focusing on mobile and highly vulnerable populations; (e) the MYSC, focusing on ministerial staff and out of school youths; and (f) the MOH, focusing on enhancing efficiency of the anti-retroviral therapy treatment.

Part C: Civil Society Organizations/Private Sector

Carrying out of Subprojects that prioritize specific HIV/AIDS prevention results.

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

1. NACA shall implement Part A of the Project and shall also have responsibility for the overall coordination and facilitation of the implementation of the Project.

2. Project Steering Committee

The Borrower shall, at all times during the execution of the Project:

- (a) maintain the Project Steering Committee with functions, staffing and resources satisfactory to the Bank, chaired by the NACA national coordinator and comprised of representatives from the MFDP, MOH, MLG, NACA, MOE, United Nations technical agencies and Non-State Actors, to be responsible for providing strategic direction and oversight of the Project; and

- (b) ensure that the Project Steering Committee meets at least twice per Fiscal Year.

3. Technical Sub-Committee

The Borrower shall, at all times during the execution of the Project:

- (a) maintain the Technical Sub-Committee with functions, staffing and resources satisfactory to the Bank, chaired by the NACA national coordinator and comprised of representatives from the MOH, MLG, NACA, MOE, United Nations technical agencies and Non-State Actors, to be responsible for reviewing the financial and technical viability of Subproject proposals, designing the monitoring and evaluation framework and addressing strategic implementation and coordination issues under the Project; and

- (b) ensure that the Technical Sub-Committee meets at least twice per Fiscal Year.

4. DMSAC

The Borrower shall, at all times during the execution of the Project, maintain the DMSAC in each Health District with functions, staffing and resources satisfactory to the Bank, to coordinate the implementation of HIV/AIDS activities under the Project at the Health District level.

5. NACA

The Borrower shall, at all times during the execution of the Project:

- (a) maintain NACA with functions, staffing and resources satisfactory to the Bank, to implement Part A of the Project, as well as to function as the overall coordinator and facilitator of Project implementation at all levels; and
- (b) ensure that NACA maintains the following committees, with functions, membership and resources satisfactory to the Bank, as set out in the Operational Manual and which, *inter alia*, shall include the following:
 - (i) a Programs Committee, to be mainly responsible for reviewing, assessing and recommending Subprojects proposals, plans and activities to be submitted to the Project Steering Committee and the Technical Sub-Committee;
 - (ii) a Finance, Administration and Audit Committee, to be mainly responsible for: (1) reviewing and recommending to NACA expenditure estimates and budgeting activities for the Project; (2) ensuring that management of financial resources, including, without limitation, proceeds of the Loan, are well managed and accounted for at both the national and Health District levels; (3) facilitating disbursements to individual Beneficiaries; (4) facilitating communications between committee members, auditors and staff; (5) establishing procedures to handle complaints on accounting and auditing matters; and (6) ensuring prompt submission of the Project annual audit; and
 - (iii) a Procurement Committee, to be mainly responsible for: (1) undertaking procurement activities for activities implemented under Part A of the Project; (2) supporting the Beneficiary Ministries in carrying out procurement or undertaking procurement for them as necessary, as the case may be, for activities implemented under Part B of the Project; and (3) reviewing and verifying the compliance of all procurement activities under the Project with policies and procedures agreed with the Bank, including those specified under Section III of this Schedule 2 .

6. Beneficiary Ministries

The Borrower shall, at all times during the execution of the Project, maintain each of the Beneficiary Ministries with functions, staffing and resources satisfactory to the Bank, to be responsible for implementing activities under Part B of the Project under the overall coordination of NACA.

7. District AIDS Coordinator

The Borrower shall, at all times during the execution of the Project, maintain the District AIDS Coordinator in each District with functions, staffing and resources satisfactory to the Bank, comprised of at least representatives from all the Beneficiary Ministries and Beneficiaries that are implementers of Project activities, to be responsible for coordinating and facilitating implementation of Project activities at the District level, including designing the District plans, reviewing Subproject proposals, disbursing grants to Beneficiaries and monitoring Project implementation progress.

B. Operational Manual

The Borrower, through the overall coordination and facilitation of NACA, shall carry out the Project in accordance with the arrangements and procedures set out in the Operational Manual (provided, however, that in case of any conflict between the arrangements and procedures set out in the Operational Manual and the provisions of this Agreement, the provisions of this Agreement shall prevail), and shall not amend, abrogate or waive the Operational Manual or any of its provisions without prior approval in writing by the Bank.

C. Anti-Corruption

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

D. Subprojects

1. The Borrower shall ensure that all Subprojects are appraised, approved, implemented, and monitored and evaluated, and the Subproject Grants are administered in accordance with the eligibility criteria and the administration arrangements and procedures set forth or referred to in this Part D and in more detail in the Operational Manual.
2. Subproject proposals may be submitted for approval to the District AIDS Coordinator by Beneficiaries, by the Technical Sub-Committee on its own initiative or by the Programs Committee following consultation with the Bank, as the case may be, in every case in accordance with the rules and procedures set forth in the Operational Manual, which Manual sets forth details, *inter alia*, of: (a) eligibility criteria for Beneficiaries and for activities to be financed by Subproject Grants; (b) arrangements and procedures for the preparation, appraisal, approval, implementation and supervision of activities to be financed by Subproject Grants; (c) procurement, financial management and disbursement arrangements; (d) performance indicators; (e) standard formats for Subproject Grant Agreements; and (f) such other legal, administrative, financial and organizational arrangements as shall be required for providing Subproject Grants.

4. The selected Subprojects must meet the requirements set forth in the Operational Manual, including, but not limited to, the Beneficiary having the capacity and authority to contract under the laws of the Borrower and to perform the obligations stipulated under the relevant Subproject Grant Agreement.
5. Following receipt of the approved Subproject proposal, and prior to the disbursement of any Subproject Grant to the relevant Beneficiary, NACA or the District AIDS Coordinator, as the case may be, on behalf of the Borrower, shall enter into a Subproject Grant Agreement with said Beneficiary, under terms and conditions satisfactory to the Bank, as set out in the Operational Manual, which, *inter alia*, shall include the following:
 - (a) a description of the activities to be implemented, including the outputs and performance targets to be achieved, and the arrangements for monitoring and reporting on the implementation of the Subproject;
 - (b) the modalities of transfer of funds to the Beneficiary for the financing of the Subproject;
 - (c) the obligation of the Beneficiary to carry out the Subproject in accordance with the Operational Manual and the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower, and with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank;
 - (d) the obligation of the Beneficiary to: (i) maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Subproject; and (ii) at the request of the Bank or the Borrower, have such records audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the records as so audited to the Borrower and the Bank;
 - (e) the requirement that the goods, non-consultant services and consultants' services to be financed from the proceeds of the Subproject Grant shall be procured in accordance with procedures ensuring efficiency and economy and in accordance with the provisions of Section III of this Schedule 2, and shall be used exclusively in the carrying out of the Subproject;
 - (f) the right of the Borrower to inspect by itself, or jointly with the Bank, if the Bank shall so request, the goods, sites or plants included in the Subproject, the operations thereof and any relevant records and documents;

- (g) the right of the Borrower to obtain all information as the Bank shall reasonably request regarding the administration, operation and financial management of the Subproject and the Beneficiary; and
 - (h) the right of the Borrower to suspend or terminate the right of the Beneficiary to use or benefit from the use of the proceeds of the Subproject Grant upon failure by the Beneficiary to perform any of its obligations under the Subproject Grant Agreement.
6. The Borrower shall exercise its rights under each Subproject Grant Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purpose of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any provision of any Subproject Grant Agreement.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

- 1. (a) The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 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 Bank not later than one month 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) performance assessment of NACA by NACA's beneficiaries under the Project and of technical advisors within NACA during the second and fourth year of Project implementation;
 - (ii) percentage of sexually active male and female reported having had sex with more than one (1) partner in the past one (1), two (2), six (6) and twelve (12) months (monitor per following age groups: between 15 to 19 years of age; between 20 to 24 years of age; and between 25 to 49 years of age);
 - (iii) percentage of youths between 15 to 19 years of age and 20 to 24 years of age having correctly identified ways of preventing sexual transmission of HIV and rejected major misconceptions about HIV transmission;
 - (iv) percentage of youths between 15 to 19 years of age and 20 to 24 years of age reported having either (1) no sexual activity or (2)

condom use during the last sexual encounter with a non-regular partner in the past twelve (12) months; and

- (v) percentage of people between 15 to 19 years of age and 20 to 24 years of age reported having a sexual partner with more than ten (10) year age difference during the last twelve (12) months.

2. For purposes of Section 5.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than six (6) months after the Closing Date.

3. Annual Assessment

Within the context of the Program, the Borrower shall, in each Fiscal Year during the execution of the Project, ensure that NACA, representatives from all Beneficiary Ministries and selected Non-State Actors, and the Bank shall carry out, by not later than November 30 of each Fiscal Year, a review of the progress made in carrying out the Project, which review to cover, amongst other things: (a) progress made in meeting the Project's objective; and (b) overall Project performance against Project performance indicators, in accordance with the details set forth in the Operational Manual and paragraph (b) of Section II.A.1 of this Schedule 2.

4. Annual Work Plan

The Borrower shall, in each calendar year during the execution of the Project:

- (a) within the context of the Program, prepare a consolidated Annual Work Plan for the following year, of such scope and in such detail as the Bank shall reasonably request, including the list of Beneficiary Ministries that will be in charge of the implementation of the activities under Part B of the Project for the following year and for which the procurement and financial management capacity has been assessed and found acceptable by the Bank, for review and approval by the Project Steering Committee and the Technical Sub-Committee, following which the relevant Annual Work Plan shall be furnished to the Bank not later than September 30 of each year for its written no objection; and
- (b) thereafter carry out the approved Annual Work Plan in such following year; all in accordance with the details set forth in the Operational Manual.

5. Mid-term review

- (a) The Borrower shall, no later than November 30, 2011 or any other date agreed with the Bank, carry out jointly with the Bank a mid-term review of the progress made in carrying out the Project. The mid-term review shall cover, among other things: (i) the progress made in meeting the

objective of the Project; and (ii) the overall performance of the Borrower under the Project.

- (b) The Borrower shall carry out, no later than one (1) month after the completion of the mid-term review referred to in sub-paragraph(a) above, the recommendations of the mid-term review as agreed with the Bank.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank not later than forty-five (45) days after the end of each quarter of the Fiscal Year, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.
3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) Fiscal Year. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Non-Consultants' Services.** All goods and non-consultants' services required for the Project and to be financed out of the proceeds of the Loan 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 Loan 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 Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Non-Consultants' Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consultants' services shall be procured under contracts awarded on the basis of International Competitive Bidding procedures.
2. **Other Methods of Procurement of Goods and Non-Consultants' Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and non-consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) National Competitive Bidding (*)
(b) Shopping
(c) Direct Contracting
(d) Community Participation procedures elaborated in the Procurement Plan and in the Operational Manual

(*) National Competitive Bidding shall follow the Borrower's procurement procedures, provided that the following additional procedures shall apply for the use of the Borrower's National Competitive Bidding documents: (i) foreign bidders shall be allowed to participate in National Competitive Bidding; (ii) registration / classification of bidders shall not be used as a condition for bidding; (iii) use of preference system based on citizen degree of ownership shall not be used; (iv) use of point system and bracketing in the evaluation of bids for goods shall not be used; (v) negotiations shall not be held with successful bidder for procurement of goods; (vi) publication of invitation to bid in a national newspaper of wide circulation; (vii) bidding documents shall clearly specify bid evaluation and post qualification criteria; (viii) bidding period shall not be less than four (4) weeks and bids shall be opened publicly; and (ix) contract awards shall be published.

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 the 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 Bank of Procurement Decisions

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

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank 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.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods and non-consultants’ services	6,600,000	100%
(2) Consultants’ services	7,400,000	100%
(3) Training	3,600,000	100%
(4) Goods, Non-Consultants’ Services and Consultants Services under Subproject Grants	22,300,000	100%
(5) Operating Costs	8,100,000	100%
(6) Unallocated	2,000,000	
TOTAL AMOUNT	50,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
- (a) from the Loan Account until the Bank has received payment in full of the Front-end Fee;
 - (b) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$500,000 equivalent may be made for payments made prior to this date, but on or after July 1, 2008, for Eligible Expenditures under Category (2); or
 - (c) under Category (4), until the Borrower has: (i) with respect to any Phase I Health District, furnished evidences to the Bank, for its approval, that the first twenty (20) Subproject Grants have been made in accordance with the eligibility criteria, terms and conditions and model form Subproject Grant Agreement set forth or referred to in the Operational Manual and the provisions of Section I.D of this Schedule 2; and (ii) with respect to any Phase II Health District, until the

Financial Management Assessment has been completed and the Bank has determined that the relevant Phase II Health District financial management arrangements are acceptable.

2. The Closing Date is September 30, 2013.

Section V. Other Undertakings

- A.** No later than three (3) months after the Effective Date, the Borrower shall have ensured that NACA has recruited, in accordance with the requirements of Section III of this Schedule 2, the following long-term senior technical specialists for the Project (in addition to those recruited pursuant to Section 5.01(a) of this Agreement): (i) a second financial management consultant; and (ii) a second procurement consultant, all with terms of reference, qualifications and experience satisfactory to the Bank.
- B.** The Borrower shall ensure that its Office of the Auditor General has cleared all of the audit backlogs: (i) no later than eight (8) months after the Effective Date for Phase I Health Districts; and (ii) by inception of Phase II Health Districts, to the Bank's satisfaction.
- C.** No later than twelve (12) months after the Effective Date, the Borrower shall have ensured that a detailed social analysis under Part A of the Project has been carried out, as satisfactory to the Bank.
- D.** No later than six (6) months after the Effective Date, the Borrower shall have ensured that all finance and accounting Project staff in the Beneficiary Ministries and NACA necessary for Project implementation have been recruited in accordance with the requirements of Section III of this Schedule 2, all with terms of reference, qualifications and experience satisfactory to the Bank.

SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; and (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each April 15 and October 15 Beginning October 15, 2016 Through October 15, 2032	2.94 %
On April 15, 2033	2.98 %

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
- (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
 - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.
 - (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

APPENDIX**Definitions**

1. “AIDS” means the Acquired Immune Deficiency Syndrome.
2. “Annual Work Plan” means the annual work plan and budget for the carrying out of all Parts of the Project, including the Subproject proposals and Beneficiary Ministries’ work plans, consolidated by NACA.
3. “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.
4. “Beneficiary” means a Non-State Actor which qualifies to receive a Subproject Grant for the purposes of a Subproject that is financed or proposed to be financed out of the proceeds of the Loan pursuant to a Subproject Grant Agreement under the terms and conditions set forth in the Operational Manual and in Section I.D of Schedule 2 to this Agreement.
5. “Beneficiary Ministries” means, collectively, the MOE, MLHA, MLG, MWT, MYSC and MOH; (as hereinafter defined) and those that the Borrower may identify annually and reflect in any Annual Work Plan, and responsible for the implementation of activities under Part B of the Project.
6. “Category” means a category set forth in the table in Section IV of Schedule 4 to this Agreement.
7. “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.
8. “CSO” or “Civil Society Organization” means an entity established and operating pursuant to the Borrower’s laws, including rural or urban communities, grassroots organizations, religious and cultural organizations, faith-based organizations, groups of people living with HIV/AIDS, professional and non-professional associations, non-governmental organizations and community-based associations involved in HIV/AIDS, and responsible for the implementation of Subprojects under Part C of the Project.
9. “District” means an administrative area of the Borrower, established pursuant to the Borrower’s Local Government (District Councils) Act, Chapter 40:01 representing a designated area and population within the territory of the Borrower.
10. “District AIDS Coordinator” means the secretary to the DMSAC (as defined hereinafter) in each District, established and operating pursuant to the implementation of the Borrower’s HIV/AIDS Second Medium Term Plan II

(1997-2002)/ 1997 and operating in each Health District (as defined here below), or any legal successor or successors thereto, as referred to in paragraph 6 of Section I.A of Schedule 2 to this Agreement.

11. “DMSAC” means the District Multisectoral AIDS Committee established pursuant to the implementation of the Borrower’s HIV/AIDS Second Medium Term Plan II (1997-2002)/ 1997 and operating in each Health District (as defined here below) as referred to in paragraph 4 of Section I.A of Schedule 2 to this Agreement.
12. “Financial Management Assessment” means the assessment to be carried out by the Bank pursuant to Section IV.B.1(c)(ii) of Schedule 2 to this Agreement during the second year of implementation of the Project of the financial management capacity of Phase II Health Districts other than Phase I Health Districts.
13. “Financial Year” means the Borrower’s financial year from April 1 to March 31 of each calendar year.
14. “Finance, Administration and Audit Committee” means the finance, administration and audit committee of NACA, as referred to in paragraph 5(b)(ii) of Section I.A of Schedule 2 to this Agreement.
15. “Fiscal Year” means the Borrower’s fiscal year beginning April 1 and ending March 31 of the next calendar year.
16. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008).
17. “Health District” means an administrative area of the Borrower, established administratively as sub-districts of the Districts (as defined here above) representing a designated area and population within the territory of the Borrower and “Health Districts” means collectively all such health districts.
18. “HIV” means the Human Immuno-deficiency Virus.
19. “MFDP” means the Borrower’s Ministry of Finance and Development Planning or any legal successor or successors thereto.
20. “MLG” means the Borrower’s Ministry of Local Government or any legal successor or successors thereto.
21. “MLHA” means the Borrower’s Ministry of Labor and Home Affairs or any legal successor or successors thereto.
22. “MOE” means the Borrower’s Ministry of Education or any legal successor or successors thereto.

23. “MOH” means the Borrower’s Ministry of Health or any legal successor or successors thereto.
24. “MWT” means the Borrower’s Ministry of Works and Transport or any legal successor or successors thereto.
25. “MYSC” means the Borrower’s Ministry of Youth, Sports, and Culture or any legal successor or successors thereto.
26. “NACA” means the National AIDS Coordinating Agency of the Borrower, established and operating pursuant to the Borrower’s Presidential Directive Cab.32/99, dated December 14, 1999, or any legal successor or successors thereto, as referred to in paragraph 4 of Section I.A of Schedule 2 to this Agreement in charge of implementing Part A of the Project and coordinating the implementation of the Project.
27. “Non-State Actors” means, collectively, CSOs and private sector entities, established and operating pursuant to the laws of the Borrower, involved in HIV/AIDS activities; and “Non-State Actor” means any of such Non-State Actors.
28. “Office of the Auditor General” means the Borrower’s Office of the Auditor General or any legal successor or successors thereto.
29. “Operating Costs” means the incremental expenses incurred by Beneficiary Ministries, Non-State Actors, and NACA under the Project, which would not exist absent the Project, based on the Annual Work Plan referred to in paragraph 4 of Section II.A of Schedule 2 to this Agreement as approved by the Bank, on account of Project management, and monitoring and evaluation, including for utilities and supplies, bank charges, communications, vehicle operation, maintenance, and insurance, office space rental, building and equipment maintenance, advertising and communication expenses, travel and supervision, and salaries of contractual and temporary staff, but excluding salaries, fees, honoraria, and bonuses of members of the Borrower’s civil service.
30. “Operational Manual” means a manual satisfactory to the Bank referred to in Section I.B of Schedule 2 to this Agreement, outlining, *inter alia*, the implementation, organizational, administrative, monitoring and evaluation, financial management, disbursement, and procurement arrangements for purposes of implementation of the Project and Subprojects, including the eligibility criteria and procedures for extending Subproject Grants, as may be amended from time to time with the prior written agreement of the Bank, and such term includes any schedules and annexes to the said manual.
31. “Phase I Health District” means each of South East, Kweneng East, Francistown, Selebi-Phikwe Health Districts, and the Goodhope Sub-Health District, of the Borrower, in which Health Districts activities under of the Project are expected to take place starting on following the Effective Date.

32. "Phase II Health District" means each Health District of the Borrower, in which Health Districts activities under the Project are expected to take place as of and after the second anniversary of the Effective Date.
33. "Procurement Committee" means the procurement committee of NACA, as referred to in paragraph 5(b)(iii) of Section I.A of Schedule 2 to this Agreement.
34. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004 and revised in October 2006.
35. "Procurement Plan" means the Borrower's procurement plan for the Project, dated May 26, 2008 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.
36. "Program" means the Borrower's National Strategic Framework for HIV/AIDS (2003-2009) and the subsequent national strategic framework for HIV/AIDS approved by the Borrower.
37. "Programs Committee" means the programs committee of NACA, as referred to in paragraph 5(b)(i) of Section I.A of Schedule 2 to this Agreement.
38. "Project Steering Committee" means the Project steering committee, as referred to in paragraph 2 of Section I.A of Schedule 2 to this Agreement.
39. "Subproject" means an agreed set of specific community-based activities to be carried out by a Beneficiary under Part C of the Project, financed or proposed to be financed through a Subproject Grant.
40. "Subproject Grant" means a grant made or proposed to be made to a Beneficiary pursuant to a Subproject Grant Agreement to finance a Subproject.
41. "Subproject Grant Agreement" means the agreement to be entered into between NACA or the District AIDS Coordinator (as the case may be) and a Beneficiary for the purpose of extending a Subproject Grant to the said Beneficiary.
42. "Training" means the training of persons involved in Project-supported activities, as reflected in an annual budget approved by the Bank, such term including seminars, workshops, and study tours, and costs associated with such activity include travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to course preparation and implementation.
43. "Technical Sub-Committee" means the HIV/AIDS technical sub-committee of the Project, as referred to in paragraph 3 of Section I.A of Schedule 2 to this Agreement.

