

CONFORMED COPY

CREDIT NUMBER 3455 GM

Development Credit Agreement

(HIV/AIDS Rapid Response Project)

between

REPUBLIC OF THE GAMBIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 2, 2001

CREDIT NUMBER 3455 GM

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 2, 2001, between REPUBLIC OF THE GAMBIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Executive Directors of the Association approved, on September 12, 2000, the Multi-Country HIV/AIDS Program for the Africa Region estimated in the amount of SDR 378,400,000 over the next three years;

(C) this Project is part of the Multi-Country HIV/AIDS Program for the Africa Region; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this

Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999) (the General Conditions), constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 11 of Resolution No. 194 of the Board of Governors of the Association, adopted on April 8, 1999; and 'Participating Countries' means, collectively, all such countries." ; and

(b) The second sentence of Section 5.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set and the following additional terms have the following meanings:

(a) "90-day Advance Accounts" means the accounts referred to in Section 2.02 (c) of this Agreement;

(b) "CBO" means a community-based organization operating under the Borrower's laws and meeting the criteria provided in the CCSI Operations Manual;

(c) "CCSI" means Community and Civil Society Initiatives;

(d) "CCSI Beneficiary" means a community, CBO, civil society group or NGO which meet the criteria specified in the CCSI Operations Manual to which or for whose benefit a Grant is made or proposed to be made under Part D of the Project;

(e) "CCSI Operations Manual" means the manual containing the procedures, guidelines, criteria and detailed terms and conditions for CCSI Subprojects;

(f) "CCSI Subproject" means a Community and Civil Society Initiatives Subproject financed or proposed to be financed through a Grant extended under Part D of the Project;

(g) "DAC" means a Divisional HIV/AIDS Committee (or municipal equivalent) established under the Borrower's Divisional Coordinating Committee;

(h) "Dalasi" means the currency of the Borrower;

(i) "DCC" means Divisional Coordinating Committee (or municipal equivalent);

(j) "DOSH" means the Department of State for Health and Social Welfare;

(k) "GAMWORKS" means the Gambian Agency for the Management of Civil Works,

established under the laws of the Borrower, pursuant to the provisions of the Development Credit Agreement, dated May 11, 1994, between the Borrower and the Association for the financing of the Public Works and Capacity Building Project;

(l) "Grant" means a grant made or proposed to be made to finance a CCSI Subproject under Part D of the Project;

(m) "IAPSO" means the Inter-Agency Procurement Services Office of the United Nations;

(n) "IEC/BCC" means Information, Education and Communication /Behavior Change Communication;

(o) "Initial Deposit" means the initial amount to be deposited into the Project Account, as hereinafter defined, pursuant to Section 3.02 (b) of this Agreement;

(p) "Line Departments" means the Borrower's Departments of State;

(q) "NAC" means the Borrower's National HIV/AIDS Council responsible for the Borrower's National HIV/AIDS Strategy and Plan of Action under the Office of the President;

(r) "NAS" means the National HIV/AIDS Secretariat responsible for the administration, coordination and monitoring of the Project;

(s) "NGO" means a non-government organization operating under the laws of the Borrower and meeting the criteria provided for in the CCSI Operations Manual;

(t) "PIP" or "Project Implementation Plan" means the action plan adopted by the Borrower for implementing the Project, giving details of procurement and disbursement arrangements, performance indicators and other administrative, financial and organizational arrangements, as shall have been agreed with the Association;

(u) "PLWHA" means people living with HIV/AIDS;

(v) "POM or Project Operations Manual" means the operational, financial management, disbursement, procurement and other administrative procedures, including annexes, as shall have been agreed with the Association for purposes of the implementation of the Project, as may be amended from time to time;

(w) "Project Account" means the account referred to in Section 3.03 of this Agreement;

(x) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement;

(y) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(z) "STI" means Sexually Transmitted Infections;

(aa) "UNFPA" means the United Nations Population Fund;

(bb) "UNICEF" means the United Nations Children's Fund;

(cc) "VDC" means Village Development Committee;

(dd) "WHO" means the World Health Organization; and

(ee) "WFP" means the World Food Program.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to eleven million eight hundred thousand Special Drawing Rights (SDR 11,800,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit; and (ii) amounts paid (or if the Association shall so agree, amounts to be paid) by the Borrower on account of withdrawals made for the benefit of a Beneficiary to meet the reasonable cost of works, goods and services required for a CCSI Subproject to be financed under Part D of the Project, in respect of which withdrawal from the Credit Account is requested.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a separate special deposit account in its Central Bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) The Borrower may also open and maintain in Dalasi for each DAC, a 90-day Advance Account in a commercial bank, on terms and conditions satisfactory to the Association.

Section 2.03. The Closing Date shall be December 31, 2005, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on June 1 and December 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each June 1 and December 1 commencing June 1, 2011 and ending December 1, 2040. Each installment to and including the installment payable on December 1, 2020 shall be one

percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01.(a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through NAC, with due diligence and efficiency and in conformity with appropriate administrative, financial, environmental, and healthcare practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. Without limitation upon the provisions of Section 3.01 of the Agreement, the Borrower shall:

(a) open and thereafter maintain, until completion of the Project, an account in the Central Bank of the Gambia on terms and conditions acceptable to the

Association;

(b) deposit an initial amount of \$75,000 equivalent to the Borrower's estimated counterpart contribution to the costs of the Project for the first six months of Project Implementation into the Project Account, and thereafter at quarterly intervals, deposit into the Project Account the estimated amount required for expenditures for the following quarter as agreed by the Borrower and the Association in each annual work plan; and

(c) ensure that the amounts deposited in the Project Account in accordance with paragraphs (a) and (b) of this Section will be used exclusively for the Borrower's counterpart expenditures under the Project and not otherwise financed out of the proceeds of the Credit.

Section 3.04. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan designed to ensure the sustainability of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account and the 90-day Advance Accounts for each fiscal year audited, in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited; and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of Project Management Reports or statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such

expenditures;

(ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the Project Management Reports or statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, not later than eighteen months after the Effectiveness Date, or such later date as the Association shall agree, to prepare quarterly Project Management Reports, acceptable to the Association, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report; and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;

(ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, an additional event is specified, namely that the Borrower has taken any administrative action so as to affect materially and adversely the ability of NAC to perform its obligations under the Project.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions the following additional event is specified, namely that the event specified in Section 5.01 of this Agreement shall occur and shall continue for 30 days after notice thereof

shall be given by the Association to the Borrower.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Borrower has opened the Project Account and the Initial Deposit referred to in Section 3.03 (b) of this Agreement has been deposited therein;

(b) the Borrower has appointed the NAS Director with terms of reference and qualifications acceptable to the Association;

(c) the Borrower has: (i) established an accounting and financial management system satisfactory to the Association; and (ii) appointed the financial management agent referred to in paragraph 3 (c) of Schedule 4 to this Agreement; and

(d) the Borrower has adopted the Project Implementation Plan, and has furnished to the Association, a draft procurement plan for the first year of Project implementation and the Project Operations Manual, all in form and substance satisfactory to the Association.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Secretary of State for Finance and Economic Affairs of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Department of State for Finance
and Economic Affairs
The Quadrangle
Banjul
Republic of the Gambia

Cable address:

MINFIN
Republic of the Gambia

Telex:

2264

Facsimile:

(220) 227 954

For the Association:

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

Cable address:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI) or
64145 (MCI)

(202) 477-6391

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

REPUBLIC OF THE GAMBIA

By /s/ John P. Bojang

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo

Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil Works	250,000	100% of foreign expenditures and 90% of local expenditures
(2) Goods	1,200,000	100% of foreign expenditures and 90% of local expenditures
(3) Consultants' services including audits and training	3,200,000	100%
(4) Grants	5,900,000	100% of amounts

		disbursed
(5)	Operating costs	550,000 90%
(6)	Unallocated	700,000
	TOTAL	11,800,000

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the term "Operating costs" means the incremental operating costs arising under the Project on account of maintenance of vehicles, fuel, equipment, office supplies, utilities, consumables, travel per diems and allowances, travel and accommodations, office rental and Project contract staff recruited to work with the NAS, DACs or municipalities, but excluding salaries of members of the Borrower's civil service.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; and (b) expenditures under Category (4) unless the Grant concerned has been made in accordance with the eligibility criteria, procedures and terms and conditions set forth or referred to in paragraphs 8 and 9 of Schedule 4 to this Agreement and in more detail in the CCSI Operations Manual.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (i) works and goods under contracts costing less than \$100,000 equivalent; (ii) services under contracts costing less than (A) \$100,000 for consulting firms, and (B) \$50,000 equivalent for individual consultants; (iii) all incremental operating costs and training; and (iv) all CCSI Grants under \$100,000, all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower to organize a pre-emptive response to the HIV/AIDS epidemic through a multi-sectoral approach by: (i) maintaining the current low levels of the epidemic; (ii) reducing the spread and mitigating its effects; and (iii) increasing access to prevention services as well as care and support for those infected and affected by HIV/AIDS.

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

Part A: Capacity Building and Policy Development

1. Development of a National HIV/AIDS strategy and action plan, through the provision of technical advisory services, training and the carrying out of workshops.
2. Strengthening the capacity of the NAC, the NAS, the DACs and municipal agencies to carry out the Borrower's National HIV/AIDS Strategy and Action Plan, through the

provision of technical advisory services and the acquisition of equipment.

3. (a) Carrying out advocacy training and IEC/BCC multimedia campaigns and provision of training, technical advisory services, workshops; and

(b) support to small NGOs and communities in the preparation of CCSI Subproject proposals and in strengthening their organizational and management capacity, through the provision of training and technical advisory services.

4. Carrying out beneficiary assessments and monitoring and evaluation activities, to strengthen the Borrower's capacity to analyze, assess and test approaches to improve actions related to the prevention, care and treatment of HIV/AIDS.

Part B: Multi-Sectoral Responses for HIV/AIDS Prevention and Care

1. Provision to staff of the Borrower's Departments of State and other agencies, of HIV/AIDS and STIs education, training, technical advisory services, condoms, equipment and other support, to encourage HIV/AIDS and STIs avoidance behavior, the treatment of opportunistic infections and the care of PLWHAs.

2. Strengthening the capacity of the staff of the Borrower's Departments of State to provide their partners and clients with the means to provide effective HIV/AIDS prevention, and ways to access health care facilities and care, through the provision of technical advisory services and training and the acquisition of equipment.

Part C: Health Sector Responses to STI/HIV Management

Expansion of the reproductive health and opportunistic infection efforts of DOSH, including its diagnosis and treatment capacity, treatment of STIs and TB and capacity to provide care at health centers and hospitals as well as laboratory services.

Part D: Community and Civil Society Initiatives

Provision of Grants for the financing of CCSI Subprojects for HIV/AIDS related activities by communities and other civil society groups.

* * *

The Project is expected to be completed by June 30, 2005.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

1. Goods and works shall be procured in accordance with: (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines); and (b) the provisions of the following Parts of this Section I.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

(b) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods and works estimated to cost less than \$100,000 equivalent per contract respectively, up to an aggregate amount not to exceed \$1,000,000 equivalent for goods and \$350,000 equivalent for works, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National and International Shopping

Goods estimated to cost \$20,000 equivalent or less per contract, up to an aggregate amount not to exceed \$350,000 equivalent, may be procured under contracts awarded on the basis of national or international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Goods which must be purchased from the original supplier to be compatible with existing equipment or are of a proprietary nature and costing \$5,000 equivalent or less per contract up to an aggregate amount not to exceed \$500,000 equivalent, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

4. Procurement from UN Agencies

Goods may be procured from IAPSO, UNFPA, WHO, WFP or UNICEF in accordance with the provisions of paragraph 3.9 of the Guidelines.

5. Community Participation

Goods and works required for Part D of the Project shall be procured in accordance with procedures acceptable to the Association.

6. Procurement of Small Works

Works estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$2,000,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3)

qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply. However, the exception to prior review will not apply to the first three contracts awarded under National Competitive Bidding and first five contracts awarded under Part D of the Project.

Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with: (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines); and (b) the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services, estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with

the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for audits estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Consultant's Qualifications

Services for research and training as well as other similar assignments that meet the criteria set out in paragraph 3.7 of the Consultant Guidelines, may be procured under contracts awarded in accordance with paragraph 3.7 of the Consultant Guidelines.

3. Single Source Selection

Services of GAMWORKS and for activities which are estimated to cost less than \$5,000 equivalent per contract, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

4. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply. However, the exception to prior review will not apply to the terms of reference of such contracts, regardless of value, to single source hiring, to

assignments of a critical nature as determined by IDA, or to amendments of contracts raising the contract value above the prior review threshold.

SCHEDULE 4

Implementation Program

1. Except as the Association shall otherwise agree, the Borrower shall execute the Project in accordance with the provisions of the PIP and POM. Such PIP and POM shall not be amended or waived, in whole or in part, in a manner which, in the opinion of the Association, would materially and adversely affect the execution of the Project and the achievement of its objectives.

2. National HIV/AIDS Council (NAC), National HIV/AIDS Secretariat (NAS) and Divisional HIV/AIDS Committees (DACs)

The Borrower shall cause:

(a) NAC to maintain the NAS in a form and with functions, staffing and resources satisfactory to the Association;

(b) NAC to submit to the Association annual progress report on the overall performance of the Project;

(c) each Divisional (or municipality equivalent) HIV/AIDS Committee (DAC) to maintain in a form and with functions, staffing, and resources satisfactory to the Association; and

(d) the NAC and DACs membership shall be drawn with roughly equal membership from the public sector and civil society, including PLWHAs.

3. National HIV/AIDS Secretariat (NAS)

The Borrower shall:

(a) establish and thereafter maintain, in a form and with functions, staffing and resources satisfactory to the Association, a NAS under the NAC to be responsible for the coordination, administration, liaison, supervision, monitoring and long-term planning and policy support responsibilities, including responsibilities with respect to the CCSI, as detailed in the PIP;

(b) NAS shall be headed by a Director with qualifications and experience acceptable to the Association;

(c) NAS shall contract with a financial management agent to assist in the management and the financial and accounting requirements of the Project;

(d) NAS shall employ a Deputy Director/Project Coordinator, IEC/BCC Specialist, Procurement Specialist, CCSI Specialist, Monitoring and Planning Specialist and Project Facilitators (DAC), all with qualifications and experience acceptable to the Association;

(e) NAS shall: (i) report to the NAC on the discharge of its functions under the Project; and (ii) furnish to the NAC consolidated annual work programs, related annual budget proposals, various progress reports and other documents relating to NAS functions; and

(f) Monitoring and Evaluation (M&E): NAS shall use technical advisory services, as well as, the DOSH Health Information System in the generation of

information, analysis, and in proposing modifications to the execution of the Project. M&E activities shall include: (i) development of a data collection system including social impact monitoring, to be used to refine or establish performance criteria and the impact of each component of the Project; (ii) compilation and consolidation of monitoring information, including data related to performance, impact, expenditure and disbursements; and (iii) preparation of consolidated semi-annual implementation reports for the Project.

4. Work Plans for Multisectoral Responses (Part B of the Project) and Health Sector Responses (Part C of the Project)

In carrying out the multisectoral responses to HIV/AIDS under Parts B and C of the Project, the Borrower shall cause all Departments, Divisions, municipalities and other agencies participating in the Project to prepare and furnish to the NAC, through the NAS, annual work plans, in form and substance satisfactory to the Association. Said work plans shall: (a) be consolidated by the NAS; and (b) submitted for approval to the NAC and the Association.

5. General

The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 6 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about February in each year: (i) a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and (ii) a Project performance report in the format described in the POM; and

(c) review with the Association, on or about April in each year, or such later date as the Association shall request, the reports referred to in paragraph (b) of this Section, and thereafter, take all measures required to ensure the efficient completion of the Project.

6. (a) The Borrower shall, on or about April 30, 2003, carry out jointly with the Association a mid-term review. Such review shall assess the following: (i) the overall progress in the implementation of the Project; (ii) the results of the monitoring and evaluation activities; (iii) an evaluation of the CCSI Subprojects; (iii) progress on procurement and disbursement; and (iv) make adjustments in Parts A through D of the Project and reallocate funds to improve performance, if needed.

(b) The Borrower shall, three months before such review, prepare and furnish to the Association reports, in scope and detail satisfactory to the Association, needed to undertake the review, including the preparation of a program of action, to deal with deficiencies in Project implementation identified prior to such review.

(c) Based on such review, the Borrower shall promptly prepare an action plan, satisfactory to the Association, for the further implementation of the Project and the Program, and shall thereafter implement such action plan.

CCSI Subprojects

7. Part D of the Project shall be carried out in accordance with the eligibility criteria, procedures, and terms and conditions specified in detail in the CCSI Operations Manual. The provisions of such Manual shall not be amended or waived in a manner which, in the opinion of the Association, would materially and adversely affect the execution of Part D of the Project and the achievement of the objectives thereof.

8. Eligibility Criteria for Subprojects

CCSI Subprojects shall be for activities related to HIV/AIDS in accordance with the eligibility criteria, procedures and guidelines set forth in the CCSI Operations Manual, which shall include, but not be limited to, activities in the following areas, IEC/BCC campaigns, support to high-risk groups, youth-related activities and condom supply and dissemination.

9. Terms and Conditions of Grants made for CCSI Subprojects

For purposes of financing CCSI Subprojects, the Borrower shall enter into appropriate arrangements with Beneficiaries, under terms and conditions satisfactory to the Association, which shall include the following:

(a) the obligation of the Beneficiary to carry out the CCSI Subproject with due diligence and efficiency and in accordance with sound technical, financial, environmental and managerial standards and to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the CCSI Subproject;

(b) the requirement that: (i) the goods, works and services to be financed from the proceeds of the Credit shall be procured in accordance with the procedures ensuring efficiency and economy; and (ii) such goods, works and services shall be used exclusively in the carrying out of the CCSI Subproject;

(c) the right of the Borrower to inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites, plants and construction included in the CCSI Subproject, the operations thereof and any relevant records and documents;

(d) the right of the Borrower to obtain all information as the Borrower or the Association shall reasonably request regarding the administration, operation and financial conditions of the CCSI Subproject; and

(e) the right of the Borrower to suspend or terminate the right of the Beneficiary to use the proceeds of the Credit for the CCSI Subproject upon the failure by the Beneficiary to perform any of its obligations.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$1,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent

withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

7. (a) The Borrower shall withdraw from the Special Account and deposit into each 90-day Advance Account funds to assist DACs to pay for goods and services under Part D of the Project. Such withdrawals and deposits shall be in amounts sufficient to assist each DAC in the manner contemplated in Schedule 1 to this Agreement, to pay for such goods and services in due course, provided that, at no time, shall the Borrower cause the amount held in any 90-day Advance Account to exceed the equivalent of three months of approved Project expenditures.

(b) Any withdrawal from any 90-day Advance Account must be justified to the Borrower by the same documentation and other evidence regarding eligible expenditures provided for under paragraph 3 of this Schedule.

(c) If the Association or the Borrower shall have determined at any time that any amount outstanding in any 90-day Advance Account will not be required to cover further payments for eligible expenditures, the DAC benefiting from such 90-day Advance Account shall, promptly upon notice from the Association or the Borrower, refund to the Special Account such outstanding amount.

SCHEDULE 6

Performance Indicators

The Borrower agrees that Project performance will be measured by the Indicators below, unless otherwise agreed by the Association:

A. Output Indicators

1. At least 50% of the population reached through targeted IEC/BCC programs on HIV/AIDS.
2. At least 5 key line Departments are implementing agreed action plans.
3. Sentinel surveillance sites increased by 2 in Project Year 1 and to a total of 8 by the end of the Project.
4. Community and Civil Society Initiatives disbursements reach at least 75% of planned levels.
5. Access to treatment for STIs, TB, and other opportunistic infections increased

by 20% by end of Project.

B. Process Indicators

6. NAC and NAS fully functioning and National HIV/AIDS Strategy and Plan of Action adopted.

7. All DACs start implementation of Project activities by the end of Project year 2.

8. Voluntary counseling and testing services incorporated into antenatal, TB, and STI services increased by 50% by the end of the Project.

C. Impact Indicators

9. At least 90% of the population (ages 15-49) aware of HIV/AIDS transmission modes and means of prevention by end of Project.

10. Use of condoms at last sexual contact among young people (ages 15-24) increased by 40% by the end of the Project.

11. Prevalence rates of HIV and STI contained to present levels.

