PROJECT APPRAISAL DOCUMENT
ON A
PROPOSED LOAN
IN THE AMOUNT OF
US$50 MILLION
TO THE
REPUBLIC OF BOTSWANA
FOR A
NATIONAL HIV/AIDS PREVENTION SUPPORT PROJECT
June 13, 2008
CURRENCY EQUIVALENTS

(Exchange Rate Effective: May 2, 2008)

Currency Unit = Botswana Pula (BWP)
6.49 BWP = US$1

FISCAL YEAR
April 1 – March 31

ABBREVIATIONS AND ACRONYMS

ACHAP African Comprehensive HIV/AIDS Partnership
AIDS Acquired Immune Deficiency Syndrome
ART Anti-Retroviral Therapy
BAIS Botswana AIDS Impact Survey
BCC Behavior Change Communication
BHRIMS Botswana HIV/AIDS Response Information Management System
BNAPS Botswana National HIV/AIDS Prevention Support Project
BOCAIP Botswana Christian AIDS Intervention Program
BONASO Botswana National HIV/AIDS Service Organization
BONELEA Botswana Network on Ethics, Law and HIV/AIDS
BONEPWA Botswana Network of People Living With AIDS
BOTUSA Botswana –USA Project (U.S. Government Centers for Disease Control)
CBO Community Based Organization
CDC U.S. Government Centers for Disease Control
CFP Calls for Proposal
CSO Civil Society Organization
DAC District AIDS Coordinator
DMSAC District Multi-sectoral AIDS Committee
DSS Department of Social Services
EC European Commission
EDF Economic Development Framework (of the European Commission)
ESW Economic and Sector Work
FBO Faith-Based Organizations
FM Financial Management
FMU Financial Management Unit
GDP Gross Domestic Product
GFATM Global Fund against AIDS, Tuberculosis, and Malaria
GIPA Greater Involvement of People Living with HIV/AIDS
GOB Government of Botswana
HAART Highly Active Anti-Retroviral Therapy
HIV Human Immunodeficiency Virus
IBRD International Bank for Reconstruction and Development
IEC Information, Education and Communication
M&E Monitoring and Evaluation
MAP Multi-Country HIV/AIDS Program (of the World Bank)
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BOTSWANA

BOTSWANA NATIONAL HIV/AIDS PREVENTION SUPPORT PROJECT

PROJECT APPRAISAL DOCUMENT

AFRICA

AFTH1

Date: June 10, 2008
Country Director: Dirk Reinermann
Sector Manager/Director: Christopher J. Thomas
Project ID: P102299

Team Leader: Sheila Dutta
Sectors: Health (100%)
Themes: HIV/AIDS (P)

Environmental screening category: Not Required

**Lending Instrument:** Specific Investment Loan

<table>
<thead>
<tr>
<th>[X] Loan</th>
<th>[ ] Credit</th>
<th>[ ] Grant</th>
<th>[ ] Guarantee</th>
<th>[ ] Other</th>
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For Loans/Credits/Others:
Total Bank financing: US$50.00 million

Proposed terms: VSL with a total repayment term (including grace period) of 25 years; level amortization pattern; Borrower will pay front-end fee and cap/collar premium up-front from own proceeds.

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<tr>
<th>Source</th>
<th>Local</th>
<th>Foreign</th>
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<tr>
<td>International Bank for Reconstruction and Development</td>
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<td>Bilateral Agencies</td>
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<tr>
<td>Total</td>
<td>50.00</td>
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**Borrower:**
Ministry of Finance and Development Planning
Gaborone
Botswana
Tel: 011-267-395-0100  Fax: 011-267-395-6086
www.gov.bw

**Responsible Agency:** National AIDS Coordinating Agency
<table>
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<th>Estimated disbursements (Bank FY/US$m)</th>
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<tr>
<td><strong>FY</strong></td>
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<td>Annual</td>
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<td>Cumulative</td>
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Is approval for any policy exception sought from the Board? [ ] Yes [X] No

Does the project include any critical risks rated “substantial” or “high”? [X] Yes [ ] No

Ref. PAD III.E.

Does the project meet the Regional criteria for readiness for implementation? [X] Yes [ ] No

Ref. PAD IV.G.

Project development objective Ref. PAD II.C., Technical Annex 3

The project development objective is to assist the Government of Botswana to increase the coverage, efficiency, and sustainability of targeted and evidence-based HIV/AIDS interventions through (i) strengthening the National AIDS Coordinating Agency’s institutional management and coordination capacity; and (ii) financing strategic and innovative HIV/AIDS-related prevention and mitigation activities. It is envisioned that this project development objective would be measured by utilizing indicators addressing the longer-term planning, implementation, and effectiveness of national and decentralized coordination efforts.

Project description [one-sentence summary of each component] Ref. PAD II.D., Technical Annex 4

Component 1: Support to the AIDS Coordinating Agency (NACA):
The NACA component will provide very focused and strategic attention to build internal capacity to coordinate HIV/AIDS activities effectively, both for the Project and the program more generally.

Component 2: Public Sector Ministries:
This component will support public sector line ministries focusing on prioritized public sector mainstreaming initiatives in line with the National Strategic Framework.

Component 3: Civil Society Organizations/Private Sector: This component has been allocated the majority of the Project funds, reflecting the importance of the civil society organizations in the achievement of Project activities.

Which safeguard policies are triggered, if any? Ref. PAD IV.F., Technical Annex 10

No safeguard policies are triggered. The proposed project has received a C classification by the Africa Regional Environmental Safeguards Unit.

Significant, non-standard conditions, if any, for:
Ref. PAD III.F.

Board presentation:
There are no Board conditions.

Loan/credit effectiveness:
Standard conditions in addition to:
NACA has recruited the following technical specialists for the Project: (i) a management and implementation senior specialist; (ii) a financial management specialist; (iii) a procurement specialist; and (iv) a District-level grant officer in each of the following Districts: South East District, Kweneng East District, Francistown District, Selebi-Phikwe District, and Goodhope Sub-District, all with terms of reference, qualifications and experience satisfactory to the Bank.

Disbursement Condition: No withdrawals shall be made with respect to the Civil Society/Private Sector Component of the project until: (a) Government has furnished evidence to the Bank for its approval that the first 20 grants under this component have been made in accordance with the criteria, terms and conditions set forth or referred to in the Operational Manual; and (b) 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.

Covenants applicable to project implementation:
Dated covenants
(a) No later than three months after the Effective Date, the Borrower shall have ensured that NACA has recruited the following long-term senior technical specialists for the Project (in addition to those recruited prior to effectiveness):(i) a second financial management consultant; (ii) a second procurement consultant, each 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 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 one year after the Effective Date, the Borrower shall have ensured that a detailed social analysis for the Project has been carried out, as satisfactory to the Bank.
(d) No later than six months after the Effective Date, the Borrower shall have ensured that all finance and accounting staff in the Public Sector Ministries and NACA necessary for Project implementation have been recruited, all with terms of reference, qualifications and experience satisfactory to the Bank.

Other covenants
(a) Within the context of the overall national program, hold a joint annual partner: (a) retrospective review of program and project progress; and (b) prospective review of program and project plans for the coming year.
(b) Hold a project mid-term review.
(c) Maintain the Project Steering Committee throughout project implementation.
(d) Quarterly financial reports be prepared and submitted to the Bank no later than 45 days from the end of each quarter.
(e) Annual audit reports will be submitted to the Bank by September 30 each year.
I. STRATEGIC CONTEXT AND RATIONALE

A. Country and sector issues

*Epidemic Status*

1. The first case of HIV infection in Botswana was diagnosed in 1985. Today, Botswana faces the second most severe HIV/AIDS epidemic in the world (after Swaziland). It is estimated that in 2008, 283,000 adults (over 15 years of age) were living with HIV/AIDS in Botswana. This indicates a national adult (15-49 years) prevalence of approximately 23.8 percent. Rising mortality rates have paralleled the maturing epidemic over the past decade (Table 1). AIDS-attributed mortality in Botswana increased from 4 percent to 27 percent of all reported deaths between 1992 and 2003. The principal mode of epidemic transmission in Botswana is heterosexual. Key factors fueling the HIV/AIDS epidemic include the incidence of multiple concurrent sexual partnerships, the incidence of unprotected sex and intergenerational sexual relationships, the vulnerability of women, persistent inequality and poverty, and high levels of population mobility, including cross-border challenges. Given a total population of 1.8 million people (2006), the impact of the HIV/AIDS epidemic in Botswana has already partly undermined the very significant socioeconomic development achievements realized over the past three decades.

<table>
<thead>
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<th>Table 1: Key HIV/AIDS and Health Statistics</th>
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<tr>
<td>Population (2006)</td>
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<td>National adult HIV prevalence (over 15 years, 2008)</td>
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<tr>
<td>National antiretroviral treatment coverage (March 2008)</td>
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<tr>
<td>Orphans due to AIDS (0-17 years, 2007)</td>
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<td>Life expectancy at birth (Central Statistics Office, 2001)</td>
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<td>Male adult mortality rate (15-60 years, 2004)</td>
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<td>Female adult mortality rate (15-60 years, 2004)</td>
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<td>Total fertility rate (2001)</td>
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<td>Infant / Under-five mortality (per 1,000)</td>
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2. The Botswana HIV/AIDS epidemic is diverse, with the highest infection rates consistently reported from the northern areas of the country, compared with those found in the southern and western regions. The 2004 Botswana AIDS Impact Survey (BAIS II) reported highest population-based, district-specific prevalence in the northeastern district of Chobe (29.4 percent), with Francistown recording the second highest rate (24.6 percent). The 2004 Botswana AIDS Impact Survey (BAIS II) found prevalence to be highest among women 30-34 years age and estimated that nearly half (44 percent) of this cohort is living with HIV-infection. The 2006 Botswana HIV/AIDS Sentinel Surveillance Technical Report also found that almost half of women aged 25-34 years were infected (Annex 1).

3. Figure 1 illustrates the epidemic dynamics over the past 25 years. The number of new infections rose rapidly during the early 1990s, peaking in the mid-1990s. The number of AIDS deaths started to grow rapidly about 10 years subsequent to this rise in new infections, peaking in 2003, just before the emergency expansion of the national AIDS treatment program. By 2003,

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the number of new infections, with respect to the adult population of Botswana, was approximately equal to the number of AIDS deaths.

**Figure 1: New adult HIV infections and AIDS deaths**
(Source: NACA, 2008)

4. The successful expansion of the treatment program has reduced the number of AIDS deaths by half. According to recent estimates, the national treatment program had averted about 52,000 adults deaths by end-2007. The most significant challenge for the national response to HIV/AIDS, currently, is to strengthen efforts to reduce the number of new infections still occurring each year. During 2008, it is projected that there will be 14,100 new adult infections and 690 new child infections in Botswana.

5. The significant decline in incidence over the past decade, as is shown in Figure 1 (above), is highly encouraging - although it should be noted that surveillance and survey data assessing prevalence do not allow for a determination of what proportion of this decline might be due to the natural dynamics of a highly generalized epidemic and what proportion might result from behavior change. However, irrespective of causality, national HIV prevalence in Botswana has shown a steady decline, most prominently among the most vulnerable age groups.

6. For example, prevalence among 15-19 year olds reduced from 22.8 percent in 2003 to 17.5 percent in 2006. Such encouraging epidemic trends are likely attributable to a variety of factors, such as the noted increase in reported condom use with non-regular partners in the last 12 months among young people (15-24 years) from 82 percent in 2001 to 87.5 percent in 2005. The noted increase in the proportion of pregnant women attending antenatal clinics accepting HIV testing (from 71 percent in early-2004 to 80 percent in early- 2007) has been paralleled by a decrease in the proportion of infants born to HIV-positive women who are infected at 18 months (from 40 percent in 2001 to about 7 percent in 2007). The estimated decline in AIDS-related mortality similarly stems from the expansion of the national treatment program which has enabled an increase in the proportion of HIV-positive patients initiating prophylaxis/treatment: from 34.3 percent in 2001/2002 to 89 percent in 2006/2007.
7. These figures are indicative of the extent to which the prevention messages and, especially, the national treatment program have proven effective. However, such data should not be regarded as ground for complacency. Figure 2 (below) illustrates the continued dramatically and unacceptably high HIV prevalence rates in Botswana. Additionally, it should be noted that these improvements are far from aligned to the amount of resources committed to the response, as detailed in the economic analysis prepared for this proposed operation (Annex 9).

Figure 2: HIV prevalence (percentage) by sex & age cohorts  
(Source: BAIS, 2004)

Challenges of the National Prevention Response

8. Prevention is acknowledged by Government to be the weakest element of the national response to HIV/AIDS. Challenges with regard to changing high-risk behavior need to be urgently and consistently addressed as part of a comprehensive prevention strategy. Botswana has adopted a multi-sectoral strategy to HIV/AIDS interventions, the National Strategic Framework (NSF) for HIV/AIDS (2003–2009). This framework articulates multi-level interventions that prioritize prevention, treatment, care and support, creation of an enabling environment, psychosocial support and impact mitigation in addition to strengthening the coordination and management of the National Response. The NSF is informed by the National HIV/AIDS Policy and is aligned to the National Development Plan 9. A mid-term review of the NSF was recently completed. This review identified specific gaps that need to be addressed for the NSF to achieve its target results, including the need for enhanced public-private-civil society partnerships and greater synergy and alignment of HIV/AIDS coordinating structures and their functions within and between levels of the national response.

9. The design of the proposed Botswana National HIV/AIDS Prevention Support (BNAPS) Project has been designed to address some of the strategic and implementation gaps identified in the mid-term review of the NSF, including its focus on prevention as a national "survival strategy". The BNAPS Project additionally has been developed to support and catalyze the implementation of the new National Operational Plan for Scaling Up HIV Prevention (2008)
in Botswana. This plan focuses on the prioritization of interventions with the greatest potential impact for preventing new HIV infections and enables a corresponding prioritization regarding national resource allocation. The goal of this initiative is to achieve significant and measurable progress in prevention within the broader context of the National Strategic Framework. The BNAPS Project’s explicit emphasis on enhancing the technical and financial efficiency of the national response fully complements this approach.

10. A critical challenge to enabling a more technically and financially efficient response to HIV/AIDS, involves the current limited capacity of the National AIDS Coordinating Agency (NACA). Three separate recent assessments of NACA, including a Government report, provide similar findings on NACA’s institutional capacity. These assessments emphasize the fact that NACA does not possess the requisite internal capacity and processes to effectively and efficiently carry out its assigned function, a challenge which was demonstrated by the recent cancellation of the Global Fund (Round 2) HIV/AIDS grant. These capacity constraints impact the overall effectiveness of NACA in the coordination of its implementing partners (public sector ministries, civil society, private sector, and development partners), allowing for a relatively non-aligned and non-harmonized response. The proposed Project will be addressing these jointly identified capacity constraints within NACA.

National prevention and treatment efforts

11. Botswana was the first African country to provide no-cost, antiretroviral therapy (ART) to its citizens, capitalizing on both its strong health system and strong government commitment to rapidly expand access to these critical services. In 2002, Botswana initiated its national treatment program in Gaborone, Francistown, Serowe and Maun and by 2005, over 32 sites across the country were providing antiretroviral therapy (ART). By September 2005, Botswana had already surpassed the World Health Organization’s “3 by 5” target of 50,000 people on treatment by end-2005 (based on 50 percent coverage of estimated national treatment need). By March 2008, an estimated 88.4 percent of individuals with advanced HIV infection were receiving antiretroviral therapy. Through triangulation of data, it appears that overall AIDS-specific mortality in Botswana may be declining as a result of the expanding coverage of the national treatment program. At end-2005, the 12-month survival rate for adults and children who had initiated antiretroviral therapy was an estimated 92 percent.

12. The heavily treatment-oriented national program has, however, resulted in somewhat lesser focus on prevention priorities and outcomes. Despite continued efforts, prevention gaps related to HIV/AIDS, sexually transmitted infections (STIs), and reproductive health remain an obstacle to reducing epidemic growth. As noted earlier, although there has been a reduction in prevalence among specific population sub-groups since 2003, overall prevalence rates still remain unacceptably high. With respect to knowledge levels, a 2004 national survey found that although 93 percent of the respondents had heard of HIV/AIDS, the proportion of respondents 15-24 years who both correctly identify ways of preventing the sexual transmission of HIV and who reject major misconceptions about HIV transmission or prevention increased merely from 36 percent in 2001 to 38 percent in 2004. The Government’s target for this critical knowledge indicator was 90 percent by 2005. It is unfortunately clear that this, and several other key prevention targets outlined in the National HIV/AIDS Strategic Framework (2003-2009), will not be met.

13. With respect to behavioral risk, the BAIS II Survey (2004) indicated that 76 percent of young people (15-24 years) have had sex with a non-marital, non-cohabiting sexual partner in the last 12 months. Additionally, this assessment indicated an increase in the proportion of people aged 15-24 years reporting unprotected sex in the past month (after consuming alcohol) - from 5
percent in 2002 to 14.7 percent in 2007. There was also a noted increase in the percentage of young people 15-19 who had sex with more than one partner during the last 12 months - from 0.3 percent in 2001 to 17.1 percent in 2005.

14. Recent analyses regarding major drivers of the Botswana epidemic particularly implicate the role of multiple concurrent sexual partners in increasing risk of HIV infection and transmission. Multiple, concurrent partnerships accelerate HIV transmission because during the early, acute stage of infection the virus may be passed on to several people over a short period of time. While limited, data on partnership patterns in Botswana raise concern. In 2003, 24 percent of sexually active men (age 15-24) reported having sex with someone outside their primary relationship in the last year\(^2\). Moreover, acceptance of multiple partnerships appeared widespread from results of the BAIS II survey, with 38 percent of respondents disagreeing with the statement "Most people you care about stay faithful to a single partner at a time\(^3\)."

15. With respect to clinical management of STIs, in 2005, an estimated 85 percent of STIs were properly diagnosed, counseled, and treated at health care facilities. A relatively low modern contraceptive prevalence rate (39 percent) remains a critical issue for young people -- during 2005, the rate of unintended adolescent pregnancy was estimated at 50 percent. Approximately 15 percent of primary and secondary schoolgirls leave school because they are pregnant and less than 20 percent re-enroll at a later date.

16. Despite the presence of a highly generalized epidemic, stigmatization of infected individuals remains a widespread problem. High levels of stigma served to constrain expansion of the national treatment program, particularly during its initial years, as willingness to acknowledge one’s serostatus was a major obstacle. In response to this challenge, in January 2004, the Government launched a Routine HIV Testing (RHT) policy at all health facilities, following an explicit opt-out principle. The goal of this approach was to “normalize” HIV/AIDS-related disease perceptions and expand access to all available (and appropriate) services in a more timely manner.

**Impacts on the Health System**

17. As demonstrated in the economic analysis, the HIV/AIDS epidemic has had a severe effect on the health system, both in the skewed nature of resource allocation towards HIV, as well as the effect on other disease control efforts. With respect to tuberculosis (TB), directly-observed therapy (DOTS) coverage in Botswana is 100 percent. While the TB case detection rate remained high at 80 percent in 2006, it dropped from the 88 percent level achieved in 2000. TB treatment success has also declined from 77 percent in 2000 to 70 percent in 2005, raising concerns regarding TB treatment resistance. An estimated 54 percent of new TB patients are HIV-positive and 38 percent of AIDS deaths are due to TB. TB mortality has increased from 236.2 (per 100,000) in 1990 to 670.2 (per 100,000) in 2005. Compared to the national AIDS treatment program, and despite of the high co-prevalence, the national health system has not been able to implement an equally strong response to TB. Implementation of the joint TB/HIV/AIDS strategy needs to be strengthened, particularly at community level where TB and HIV/AIDS programs continue to operate largely along parallel lines. The proposed Project will address strategic gaps supporting joint TB and HIV prevention efforts.

18. The HIV/AIDS-related burden of disease has had the result of consigning most health care workers to focus on various medical and, to a lesser degree, preventive aspects of the

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\(^2\) Makgabaneng Survey (2003).

\(^3\) BAIS II (2004).
national response. The magnitude of these demands have placed a substantial strain on the health sector human resource base central to more general health sector activities. Similarly, the Central Medical Stores (CMS) system has been largely consumed by the procurement and distribution of ARVs, resulting in cases of drug stock-outs for other supplies, as well as unavailability of condoms at some health centers, particularly in more remote districts.

**Other key epidemic impacts**

19. **Gender and age differentials.** HIV/AIDS does not affect all people equally. Risk and vulnerability to HIV/AIDS are substantially different for men and women in Botswana, as is clear in the age- and sex-differentiated prevalence rates. The impact of HIV/AIDS differs markedly by gender, reflecting traditional roles and responsibilities in both household and market activities. Gender inequality, and the role of power in sexual relations, especially women’s lack of economic empowerment, are important factors in the spread of HIV/AIDS, as are gender-based socio-cultural, legal, and physiological factors.

20. Gender-based vulnerability to HIV infection is clearly demonstrated in population-based serosurveys in Botswana, with prevalence rates consistently ranging up to three times higher among young women (15-19 years) than young men of the same age group. Epidemiologic data illustrate a clear pattern of gender disparity, with women generally exhibiting higher HIV prevalence rates than men, particularly in the 15-39 year age cohort. Within these age groups, HIV prevalence remains at least 17 percentage points higher for women than for men. Conversely, there are more men who are HIV positive at older ages. This overall epidemiologic pattern is strongly suggestive of substantial intergenerational HIV transmission.

21. **Demographic impact:** The epidemic already has exerted a substantial negative impact on fundamental human development indicators, including life expectancy at birth, infant mortality, and child mortality. For instance, by 2004, the Central Statistics Office estimates that life expectancy had decreased to 56 years. It is estimated that life expectancy would have increased to 70 years by 2000, in the absence of the HIV/AIDS epidemic. The impact of AIDS-related morbidity and mortality have resulted in Botswana’s decline in the UNDP Human Development Index international rankings (a measure heavily impacted by life expectancy), from 71 in 1996 to 124 in 2005.

22. HIV/AIDS has distorted the population structure of Botswana. The magnitude of the epidemic tripled crude mortality rates (deaths per 100,000 population) in Botswana between 1991-2003. Although different demographic projection models vary in predicting the specific degree of epidemic impact, all concur that the population structure of Botswana will be radically altered, given unprecedented death rates among young adults across all social strata over the past two decades years.

23. **Orphans and vulnerable children:** As a cause of orphanhood, AIDS is exceptional in that if one parent is HIV-positive, there exists a high probability that the other parent is also infected. This increases the risk that a child could lose both parents within a relatively short period. There were an estimated 131,000 AIDS orphans (0-17 years) in Botswana in 2007, with over half of these children already having lost both parents to the disease (double orphans). There are projections indicating that, by 2010, more than 20 percent of all children in Botswana will have lost one or both parents to AIDS, resulting in an increasing population of orphans and vulnerable children.
24. Consequently, the existing stresses on traditional social safety nets, and particularly on family elders, will continue to worsen. The implications for dependency ratios, alone, are dramatic, as a smaller number of adults will have to support large numbers of the young and elderly. The age distribution of orphans is fairly consistent across Southern Africa, including Botswana, with the proportion of children who are double orphans increasing with age. Almost half of all orphans and two-thirds of double orphans are adolescents (12–17 years), which has implications for specific services needed within this highly vulnerable population, including targeted prevention and reproductive health. In 2004, an estimated 34 percent of Botswana households caring for orphan received some degree of social support (e.g. food baskets, education support, psycho-social support). In 2005, the ratio of orphaned to non-orphaned children (10-14 years) who are currently attending school was 87:100.


26. The cost of these critical development programs, in parallel with increasing macroeconomic diversification efforts, pose a particular challenge to Botswana, given the scale of the financial outlays required to support the national HIV/AIDS prevention, care, treatment, and mitigation programs. It is of significant concern to the Ministry of Finance and Development Planning that national HIV/AIDS-related investments have displaced other budget priorities, especially given the paucity of donors active in Botswana. It should be noted that the Government of Botswana finances over 90 percent of the national HIV/AIDS program. The cost of this disease-specific government allocation has increased dramatically from US$69.8 million in 2000-2001, to US$165 million in 2006-2007.

B. Rationale for Bank involvement

27. Economic growth and governance: Botswana's post-independence history has been characterized by good governance, democracy, strong macroeconomic policies, an open economy, relatively strong institutions and high public revenues from diamond-mining industries. With a gross national income per capita of US$5,950 (2006 estimate, Atlas method), Botswana is classified as an upper middle-income country. The government has managed the country's resources prudently and has kept its recurrent expenditure within its revenue, allowing for investment in human and physical capital. With its proven record of good governance, Botswana was ranked as Africa's least corrupt country by Transparency International in 2007, and also was ranked above of many European and Asian countries on this international scale.

28. The national challenge is to move forward with further development, particularly with respect to: (a) safeguarding and strengthening its human capital base; and (b) achieving economic diversification through strengthening growth and competitiveness of the non-mining sectors. The continued spread of HIV, and the costs of preventing and treating the disease, are among the key issues the government is addressing. The Government asked the IBRD to assist in streamlining and strengthening its national response so as to help prevent a potentially debilitating economic as well as humanitarian disaster due to HIV/AIDS. Importantly, the
Government's investments in HIV/AIDS prevention, care, treatment, and mitigation impact not only the population of Botswana, but also the sub-regional spread of the epidemic, given high levels of migrant workers and the increasing economic refugee population (primarily from Zimbabwe).

29. In recent years, Botswana's HIV/AIDS program has been supported by a few international donors, including the Global Fund Against AIDS, Tuberculosis, and Malaria (GFATM), the U.S. Government (PEPFAR), other selected bilaterals, the Gates Foundation, and Merck, an international pharmaceutical company (Annex 2). However, even the combined levels of donor and government spending have not kept pace with the rising cost of the response to the epidemic. The Government of Botswana requested the proposed concessional IBRD operation in anticipation that these additional financial and technical resources would play a strategically significant role in supporting a more efficient and evidence-based response to the epidemic. This was particularly so given the Bank's comparative advantage in the areas of strategic planning, knowledge-sharing, implementation support, and the leveraging of additional resources. Given the magnitude and long-term impact of the epidemic, another focus of the proposed operation would be to enable a transition from an “emergency” response to a broader, more strategic, and more sustainable approach. Additionally, in partnership with Government, the World Bank will seek to institutionalize collaborative development partner forums towards facilitating a more synchronized, complementary and effective response.

30. A successful project could also create opportunities for the World Bank to expand its engagement within the Southern Africa sub-region. The BNAPS Project is designed to strengthen and support the national strategic frameworks and plans (National HIV/AIDS Strategic Framework, National Development Plan 9, Poverty Policy), in addition to the “Three Ones” and Greater Involvement of People Living with HIV/AIDS (GIPA) principles. Within the National HIV/AIDS Strategic Framework, the prioritized goals of prevention of HIV infection, provision of care and support, and strengthened management of the national response to HIV/AIDS will be the project focus. As far as World Bank policy is concerned, the Project is fully in line with the Global Health, Nutrition, and Population Strategy (2007), the Africa Regional Health Policy (2006), and the Africa HIV/AIDS Strategy (2008). The Project is also fully aligned with the draft Interim Strategy Note for Botswana which is expected to be presented to the Board in late-2008. The Interim Strategy Note, which is the first-ever Bank strategy for Botswana, includes HIV/AIDS as among its three strategic priorities.

C. Higher level objectives to which the project contributes

31. The Millennium Development Goals envision that, by 2015, the world would have halted and begun to reverse the HIV/AIDS epidemic. These goals include a set of comprehensive, time-bound targets to elicit effective global, regional, and national responses to the HIV/AIDS epidemic. Globally, as a result of its direct and indirect impact, the HIV/AIDS epidemic has significantly slowed or even reversed progress towards achieving other critical Millennium Development Goals, by increasing poverty and hunger, increasing gender inequality, reversing gains in child and infant mortality, and weakening maternal health indicators. With Southern Africa being the epicenter of the epidemic, progress in Southern Africa is essential if regional and global goals are to be met and sustained.

32. Ironically, however, the HIV/AIDS epidemic may actually have assisted in positive movement towards one other Millennium Development Goal – improving global partnerships. The magnitude and evolving nature of the epidemic have caused multilateral, bilateral, and other
development partners to view the need for strategic partnerships and harmonization in a new light, with a particular focus on how to address both resource and implementation gaps innovatively.

33. The inclusion of a strong gender focus and greater emphasis on vulnerable groups in this proposed Project provides the opportunity to address two additional Millennium Development Goal: Goal 4 (promote gender equality and empowerment of women) and Goal 6 (improve maternal health, particularly with respect to reducing the risk of mother-to-child transmission). Also, given the strong links between health, poverty and economic development, the BNAPS Project would ultimately contribute toward achieving Botswana’s higher level poverty alleviation and economic growth objectives.

D. IBRD “buy down” mechanism

34. **Buy-down mechanism:** The IBRD loan buy-down mechanisms was developed to increase the flexibility and concessionality of funding for projects where it is justified by global public good or cross-border externalities. To date, the buy-down mechanism has been piloted on one IBRD project to support tuberculosis control in China. This instrument relies on donor resources to lower the cost of an IBRD loan targeted at a priority health intervention. The release of the donor funds are dependent on project performance, as measured against jointly agreed indicators and targets that are consistent with the measurable objectives and reflective of actions by the government within the project time frame (Annex 12). Given that its upper middle-income status excludes Botswana from the World Bank’s highly concessional IDA resources, the Government of Botswana (GOB) requested that the proposed operation be financed utilizing an IBRD “buy-down.”

35. The European Commission (EC) has agreed to support the buy-down of this project. The EC has approved an additional €14 (~USD 20 million4) in its next four year Economic Development Framework (EDF-10, 2010-2014) to finance the buy-down of this IBRD loan. An important structural distinction in this buy-down from the ones in other countries is that the EC and the GOB have agreed that the EC will provide the funds for the buy-down directly to the Ministry of Finance and Development Planning (MFDP), once performance targets are achieved. Because these payments are handled bilaterally between the Government of Botswana and the EC, they would be governed by a bilateral agreement between the EC and Government. The Bank will be consulted, but ultimately can only recommend a financing structure for the EC and Government of Botswana to adopt. It has been agreed that the buy-down contribution from the EC will be released based on a select subset of performance indicators derived from the Project’s monitoring and evaluation framework. The decision to release the first tranche will be based on the results of the mid-term review. The decision to release the last tranche will be based on the results as the project closing is approached.

II. PROJECT DESCRIPTION

A. Lending instrument

36. The proposed project lending instrument is a Sector Investment Loan (SIL) and the proposed terms involve a Variable Spread Loan (VSL). The project implementation period for this US$50 million IBRD loan is five years (Annex 5).

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4 Based on the FX Forward rate EUR/USD (5 year)
B. Project development objective and key indicators

37. The project development objective is to assist the Government of Botswana to increase the coverage, efficiency, and sustainability of targeted and evidence-based HIV/AIDS interventions through: (a) strengthening NACA's institutional management and coordination capacity; and (b) financing strategic and innovative HIV/AIDS-related prevention and mitigation activities. It is envisioned that this project development objective would be measured by utilizing indicators addressing the longer-term planning, implementation, and effectiveness of national and decentralized coordination efforts.

38. The Botswana HIV/AIDS Response Information Management System (BHRIMS) is the national multi-sectoral response monitoring and evaluation (M&E) system. The BNAPS Project's support to M&E would be guided by the following criteria: (a) support for the NSF and the development of a single national M&E system, under the rubric of the "Three Cnes"; (b) support for an M&E system, that enables districts to monitor and improve their performance, as well as allowing for monitoring of community, district and national activities at the national level; (c) support for institutional, human resource and systems development; (d) support for activities which are not being financed by other development partners; and (e) support to the NACA in its function as the lead coordinating agency for M&E activities between all agencies and donors.

39. While data collection and reporting at national, aggregate level is already well advanced in Botswana, monitoring of activities and results at local level is, as in most countries, less well established. However, changes at local and community level are critical to significantly change the course of the epidemic. The Project, through a results-based design of the civil society and private sector component, has built in the measuring and reporting of baseline, progress and project completion data. This design also permits assessing the effectiveness of specific Calls for Proposals to bring about change through social mobilization of civil society and private sector organizations. These changes at community level are captured through the same indicators as those used in the BAIS (Annex 3).

40. Key indicators used to monitor the project, with a special focus on the institutional capacity of NACA and on the performance of the civil society and private sector component, include the following:

- Performance of NACA assessed by NACA's beneficiaries and of the Technical Advisors within NACA twice during the project (year 2 and 4);
- Proportion of sexually active males and females who report having had sex with more than one partner in the past 12 months by age group: (a) 15 to 19 years; (b) 20 to 24 years; and (c) 25 to 49 years;
- Proportion of youths aged 15 to 19 years and 20 to 24 years who both correctly identify ways of preventing the sexual transmission of HIV and who reject major misconceptions about HIV transmission;
- Proportion of youth aged 15 to 19 years and 20 to 24 years reporting either (a) no sexual activity; or (b) condom use during the last sexual encounter with a non-regular partner in the past 12 months; and
- Proportion of people 15 to 19 years and 20 to 24 years who report a sexual partner with more than 10 years age difference during the last 12 months.
C. Project components

41. Given that the national HIV/AIDS program has emphasized treatment-related issues to date, the proposed Project is designed to enhance overall program efficiency while re-emphasizing prevention and the balanced response envisaged in the National Strategic Framework. The Government of Botswana requested the Bank’s support in anticipation that these additional resources would play a strategically significant role in supporting a more efficient and evidence-based response to the epidemic. The Bank’s comparative advantage is particularly in the areas of strategic planning, knowledge-sharing, implementation support, and the leveraging of financial and technical resources.

42. With respect to the project’s geographic focus, activities for the first two years would focus intensively on the eastern border of the country, between Gaborone and Francistown. This decision was based on the fact that the vast majority of the national population (about 80 percent) resides along this corridor, which also includes the country’s highest prevalence districts. This phased-approach would enable the rapid expansion and coverage of high-impact interventions among vulnerable and high-risk populations in Botswana. It is planned that the final three years of the project would be nationwide in scope, following an intensive evidence-based learning and capacity development over the first two years of the project. The locations selected by Government for the first phase of the project include South East District, Kweneng East District, Francistown District, Selebi-Phikwe Districts and Goodhope Sub-District.

43. The framework for the project design is comprehensive and seeks to achieve prioritized and phased implementation. The proposed project components include: (a) support to the National AIDS Coordinating Agency (15 percent of project financing); (b) support to public sector ministries (40 percent of project financing); and (c) and support to civil society and private sector (45 percent of project financing). These components follow from the key program coordination and implementation areas and are based on the analysis of identified key challenges in the national response presented earlier. It should be emphasized that these financing figures are indicative allocations (excluding contingencies) and that re-allocation of resources between components is expected during project implementation, based on implementation performance, regular assessments, and on changing circumstances. The project components are summarized in Annex 4, and further detailed in the Operations Manual. Estimated project costs are presented in Annex 5.

Component One: Support to NACA (US$7.2 million)

44. The discussion above noted weaknesses in NACA’s coordination of the national response in Botswana. Similar weaknesses are found in many sub-Saharan African countries’ national HIV/AIDS coordinating bodies. But the solutions need to be tailored to the circumstances of each country. For Botswana, with NACA as the institutional home of the Project, the NACA component will provide focused inputs to build internal capacity to coordinate HIV/AIDS activities effectively, both for the Project and the program more generally. Based on recommendations from institutional assessments carried out, especially by the Government in its NACA joint planning report (Operations and Management Report), and the NACA Mid-Term Review, and also by the World Bank team, the Government at very senior levels has reviewed the organization of NACA. Some decisions remain pending, but the revised structure of NACA is approved. This will permit the recruitment of a significant number of staff including the filling of some long-standing vacancies. This recruitment process has already begun. Thus, for the first time for some years, within the next 6-9 months, NACA will have a clear organizational structure which is reasonably staffed. The focus of the Project inputs will therefore be on capacity building within NACA in key areas that are not being supported by other partners – combined with
systems building – to ultimately ensure that NACA is a viable, credible and efficient organization.

45. The role of NACA as primarily a program coordinator would continue to be emphasized. This includes the decentralized program, which would continue to be implemented through the Ministry of Local Government, the district administrations, NGOs, etc. Importantly, this component would also provide support complementing other inputs for the improved design and strengthening of the National M&E Framework both centrally and in the districts. This includes technical assistance, and support for database development and surveys.

46. A central part of the Project is long-term technical support for NACA. These would be senior experienced consultants working in NACA Headquarters. Terms of reference (TORs) for all positions are agreed. These TORs focus on achieving results in capacitating NACA combined with strict progress reviews, rather than simply providing technical inputs. There are eight positions, which are planned to phase out over the Project, as follows: (a) a Senior Management and Implementation Specialist; (b) two Senior Financial Management Specialists; (c) two Senior Procurement Specialists; (d) a Senior Monitoring and Evaluation specialist; (e) a Senior Capacity Building Specialist; and (f) a Senior Strategic Planning and Partnerships Specialist.

47. Recruitment for these positions has started and the Government has agreed, if necessary, to finance these positions initially from its own resources. Upon effectiveness, Government would seek reimbursement under the retroactive financing provision of the Loan. Technical assistance at the district level will be available through a variety of arrangements including volunteers from the UN, JICA and the US Peace Corps. The above assumes that financing will continue to be from the Ministry of Finance and Development Planning to NACA and then on. Both NACA and the Bank team would prefer not to have NACA as an intermediary, but this remains under discussion within the Government and the status quo prevails (see Annex 4 below for more details).

48. As an important part of NACA’s systems strengthening, both the external and internal coordinating structures were reviewed by the Government and partners. The resulting revised arrangements, and particularly the coordinating committee structures, have been implemented including their use for Project implementation. Training, particularly long-term training, and development for NACA’s own staff is already well planned and financed through existing Government programs. But the Project will finance capacity training, to be implemented by NACA, for CSOs at the national and district levels and associated annual CSO capacity assessments. NACA will also contract an important series of studies focusing on the social aspects of the HIV/AIDS epidemic.

Component Two: Public Sector Ministries (US$19.2 million)

49. This component will support public sector line ministries focusing on initiatives supporting the three priority areas of the National Strategic Framework (NSF). In consultation with partners, and as indicated in the NSF, the Project will commence with the following ministries: (a) Health; (b) Works and Transport; (c) Labour and Home Affairs; (d) Education; (e) Local Government; and (f) Youth, Sports and Culture. Annual work plans for funding under the project will be submitted for the Project Steering Committee as well as the HIV/AIDS Technical Sub-Committee’s review. Upon approval, funding will be channeled through NACA for further disbursement to ministries. However, as mentioned above, the financial disbursement architecture is under review. Monitoring and evaluation of activities will be coordinated by
NACA. Public sector support will emphasize external and internal mainstreaming and indicative activities under this component include the following:

a) **Ministry of Education (MOE):** Priority areas include enabling comprehensive in-school and teacher training, in addition to strengthening IEC/BCC activities to better reach children and youth in and out of school, address guidance and counseling procedures for HIV infected and affected children, and conduct special studies to identify the needs and possible behavioral change strategies for HIV positive children and teachers.

b) **Ministry of Labour and Home Affairs (MLHA):** Priorities for the Department of Prisons, which is a Department of the MLHA, focus on providing mobile antiretroviral clinics for the largest prisons to complement weekly VCT service availability, as well as in-service training for its staff on HIV prevention methods and training on knowledge and dissemination to Prisons staff.

c) **Ministry of Local Government (MLG):** Priority areas for the Department of Social Services include educational and rehabilitation efforts for orphans and other vulnerable children, the development of exit strategies social services, where appropriate, as well increasing the concentration of social workers in high prevalence school districts.

d) **Ministry of Works and Transport (MW):** Priorities for this ministry focus on strengthening existing district programs that focus on mobile populations, including truck drivers and women involved in transactional sex.

e) **Ministry of Youth, Sports, and Culture (MYSC):** Priorities for the MYSC focus on strengthening existing ministerial programs that target youth, including outreach activities using sport facilities and sporting events as IEC platforms.

f) **Ministry of Health (MOH):** The health sector activities have been developed around an already strong national treatment and care program. It was agreed that, within the context of the proposed operation, efforts would be focused on providing technical assistance to the prevention activities of the civil society and non-health public components, as well as increasing the technical and financial efficiencies of the PMTCT and ART programs.

Component Three: Civil Society Organizations/Private Sector (US$21.6 million)

This component has been allocated the majority of the Project funds, reflecting the importance of the civil society organizations (CSOs) in the achievement of Project objectives. This component would make financial resources available to civil society, including the private sector, focusing on initiatives in line with the NSF. In terms of implementation of this component, the process will follow four interlinked processes: developing calls for proposals; receiving, evaluating, and awarding proposals; financial flows; and monitoring outputs.

51. The project design emphasized results-based support and targeted community level activities. This component will focus on proposals and activities that prioritize specific HIV/AIDS prevention results and target vulnerable populations. Vulnerable population groups eligible for BNAPS financing will be decided through the agreed processes involving both the HIV/AIDS Technical Sub-Committee and Project Steering Committee, as outlined in the Operations Manual. It is expected that this process will streamline funding procedures while focusing on specific thematic areas based on comparative strengths and regional needs.

D. Lessons learned and reflected in the project design

52. The findings of the October 2004 regional review of the Multi-Country HIV/AIDS Program (MAP) have been reflected in the project design. The major lessons were, first, greater strategic planning is needed in terms of supporting specific activities and interventions which
have the greatest impact, based on analyses of current epidemiological and behavioral data. Second, there is need for an evidence-based approach that strikes a balance between broad-based general public intervention and the targeting of vulnerable groups. Third, more performance-based disbursement systems should be introduced to encourage strong performers. Fourth, civil society should be fully involved in the design of materials and procedures for grant making, application and reporting. Fifth, adequate resources should be set aside to develop operational M&E systems which can provide adequate biological, behavioral and routine program activity monitoring information. And sixth, that there is need for an intensified effort addressing prevention efforts in Southern Africa.

53. In recent years, the World Bank also has carried out several studies of its HIV/AIDS-related lending and non-lending operations at the global-level. The following key lessons have emerged from these reviews: (a) the Bank, by its acts and its omissions, influences both developed and developing countries in their actions on HIV/AIDS; (b) country ownership, leadership, and capacity are crucial to successful action; (c) the Bank’s policy advice and country-led approach are important assets to countries in pursuing their goals; (d) HIV/AIDS needs to be better integrated into development policy and planning, and the Bank is uniquely positioned to assist countries with this; (e) HIV/AIDS strategies, policies and programs should be evidence-based, with priorities based on local epidemic conditions; and (f) monitoring and evaluation are essential, and consistently neglected. To the extent possible and in so far as these lessons are directly relevant for Botswana, these lessons have been incorporated in the design and planned supervision strategy of the proposed project (Annex 11).

E. Alternatives considered and reasons for rejection

54. The major alternative design considered for this operation was a Sector Wide Approach (SWAp) framework. However, it was determined that the current donor and macro-economic environment would not be conducive for an overall SWAp for the national HIV/AIDS response at this stage. As a result, although the BNAPS Project would support the comprehensive NSF, it would not function as a SWAp at its inception. Efforts would be made in the areas of planning, financing and budgeting, implementation and M&E to prepare a foundation on which future joint operations can be developed. The potential transition to a SWAp-like approach will be explored during the Project Mid-Term Review.

III. IMPLEMENTATION

A. Partnership arrangements

55. The Bank is working closely with other key development partners, including PEPFAR (CDC/USAID), ACHAP, European Commission, and the UN family, in supporting NACA’s goal of establishing a stronger and more coordinated response to HIV/AIDS in Botswana. The Project will support Joint Annual National Program reviews with all key partners.

B. Institutional and implementation arrangements

56. Implementation of the BNAPS Project will be by the existing institutions for implementing and overseeing the national response to HIV/AIDS, and use existing systems and
processes. However, where needed, the project will help ensure that the existing institutions, systems and processes are strengthened to help ensure improvements in the implementation efficiency and effectiveness of the overall national response. Detailed implementation arrangements are presented in Annex 6, and are briefly summarized below.

57. The project design calls for a detailed work program for the first year, which has been agreed upon, and broad parameters for the remaining four years in order to retain flexibility for adjusting the program for subsequent years taking into account implementation experience gained in the previous year(s), and evolving priorities of the NACA. Therefore, the project design includes annual implementation performance reviews of the BNAPS based on the progress reports prepared by NACA, and discussions and an agreement among the partners on the work program for the subsequent year(s). NACA will coordinate and lead the overall implementation of the BNAPS. The Project will be implemented mainly by the civil society organizations and the private sector, and selected public sector ministries. A strengthened NACA, staffed with the requisite qualitative and quantitative capacity, will facilitate the implementation of the project.

58. At the strategic level, the existing Project Steering Committee (PSC) is responsible for providing strategic direction and oversight for the BNAPS project and approving the annual work plans/ budgets for all BNAPS implementing partners. As a high level body, the PSC will hold implementers accountable for results. Representation is at the level of Permanent Secretaries, UN Agency Heads, and head of major civil society organizations. The PSC is chaired by the NACA National Coordinator, and includes key implementing partners at the national level, specifically from the MFDP, MOH, MLG, NACA, MOE, the UN technical agencies and CSO/Private Sector. Membership will vary depending upon the evolving needs of the Project.

59. The existing HIV/AIDS Technical Sub-committee (TSC) is chaired by the NACA National Coordinator, and will review in detail plans and activities of implementing partners and address strategic implementation and coordination issues under the Project. More specifically, this committee will review all CSO proposals over BWP30,000 and all public sector work plans to ensure consistency with the strategic thematic and geographical areas defined by the PSC, as well as with the goals and objectives of the NSF. It will assess and ensure the technical and financial plausibility of the proposals as well as emphasize the results-based focus of all project activities. TSC's members at the national level may vary depending on the specific needs of the project, but will include membership from the MOH, MLG, NACA, MOE (at the ministerial Director level), the UN technical agencies and CSO/Private Sector.

60. NACA will have three main committees for facilitating the implementation of BNAPS. The Programs Committee will review, assess, and make recommendations on project plans submitted to the TSC. The Finance, Administration and Audit Committee will include the two Project Financial Management Specialists, as well as the relevant NACA Staff. This committee will: (a) review and recommend to NACA on expenditure estimates and budgeting activities for the project; (b) ensure that management of financial resources is well coordinated at both the national and district levels; (c) facilitate quarterly disbursements to individual CSOs based on satisfactory performance as provided by specific tracking measures; (d) provide a forum for private and direct communication between committee members and the external auditors, internal auditors, and senior staff; (e) ensure timely submission of the project audit reports; and (f) establish procedures to receive retain and treat complaints received by the PSC regarding accounting, internal accounting controls, or audit matters and for handling confidential matters regarding questionable accounting or audit matters.
61. The Procurement Committee will primarily consist of members of NACA's procurement team as well as selected district and national level representatives of the procurement teams of the implementing partners, and representatives from civil society and private sector. This committee will: (a) undertake procurement activities for activities implemented under the NACA component; (b) support other implementing partners in the Ministries in carrying out procurement or undertake procurement for them as necessary; and (c) review and verify that all procurement activities under the project have been undertaken in accordance with established policies and procedures, as agreed with the World Bank.

62. The public sector ministries will focus their activities on their behavioral change activities targeting their staff and clients (MLG will focus on community level clientele and OVCs/out of school youths, MLHA on Prisons staff and prisoners, MOE on teachers and in-school youths, MYSC on ministerial staff and out of school youths, MWT on staff, the mobile populations at high-risk, and MOH on HIV-positive patients receiving ART, as well as on providing technical assistance as needed to the participating ministries). Ministerial work plans will be reviewed and approved by the PSC annually to ensure complementarities and synergies. To improve program management, implementers within the Ministries will be primarily responsible but will be able to access capacity building support for results based management, and monitoring and evaluation from NACA.

63. Botswana has been effective in decentralizing HIV/AIDS coordination and implementation, with District Multi-Sectoral AIDS Committees (DMSACs) playing an important role in the coordination of HIV/AIDS activities by public sector, CSOs, and partner activities at the district and community level. Technical and fiduciary support is provided by the national level counterparts. DACs are multisectoral with representation from all the public sector ministries and the local CSOs that are implementers of HIV/AIDS activities. They will coordinate Project activities through the District AIDS Coordinator's (DAC) office, for technical matters, and the District Council, for fiduciary matters.

64. The DACs will design district plans based on inputs on implementation priorities of the target groups for the various stakeholders, and the public sector ministerial plans and facilitate implementation where necessary, primarily through technical reviews of the proposed activities, and implementation support to the implementation partners. In addition, DACs will: (a) review and approve CSO proposals below the Pula 30,000 thresholds (approximately US$5,000); (b) disburse the grants to the NGOs; and (c) monitor implementation progress. Where needed, programmatic, procurement, and financial management support will be sourced from NACA.

C. Monitoring and evaluation of outcomes/results

65. The Project's monitoring and evaluation framework derives fully from the national HIV/AIDS monitoring and evaluation framework, the Botswana HIV/AIDS Response Information Management System (BHRIMS). The BNAPS Project will be supporting the further strengthening of this system, with a focus on monitoring and evaluation at decentralized levels of the response (Annex 3).

D. Sustainability

66. Institutional sustainability. The Government, with support of IBRD and other development partners, has mobilized different sectors, mass organizations and communities to
increase their capacity to respond to the demands of the HIV/AIDS epidemic. Although the Project is a modest contribution to the overall national response, it provides focused assistance of institutional strengthening especially in key areas such as fiduciary management and results reporting among NGOs and CSOs, strategic planning and M&E in NACA, managing targeted technical interventions in participating Ministries and other government agencies, and evidence-based policymaking in the health sector through a modest agenda of research and evaluation at the Ministry of Health. Much of the institutional strengthening activities involve nationals who are likely to continue working locally. Thus, it is expected that the social, sectoral and community capacity built within the different components of the BNAPS Project would be sustained after project closure.

67. Technical sustainability. The BNAPS Project aims to support well-established, proven technical interventions whose operational implications have been well-documented in other countries. In service delivery, the Project will endeavor to support existing technical programs, but will work with government and other partners to introduce needed changes (e.g., strengthening counseling under VCT; providing a sharper focus on youth interventions; providing an evidence-base for more extensive use of generic drugs; and greater integration of services). In project management, the Project will introduce a results-based grants approach that has been demonstrated to work well in other African countries in strengthening local responses to the epidemic. The Project will work at different levels (project implementation, strategic and program planning, and policy formulation) to ensure that technical interventions are sustained.

68. Financial sustainability. The prevention and mitigation of HIV/AIDS is a public good which would support efforts towards improved economic growth and poverty alleviation. The economic analysis has clearly argued that Botswana needs a balanced approach of prevention and treatment to ensure that HIV/AIDS expenditures do not unduly crowd out other budgetary priorities, and do not endanger the government's strong fiscal position achieved through past prudent macroeconomic management. The economic analysis has also identified specific approaches and interventions that Botswana should seriously consider to achieve a more cost-effective HIV/AIDS control program. The Project will serve as a platform for further discussions on these programmatic and policy areas. Finally, although the national AIDS response comes with a high price tag, macromodeling work has shown that, through the positive demographic and macroeconomic effects of a large-scale AIDS response, it will help to contain even larger future expenditures by mitigating the disease's adverse effects on the tax base and the fiscal burden of caring for a sicker population.

E. Critical risks and possible controversial aspects:

69. The overall project risk is considered to be moderate. Potential project risks include the following:

<table>
<thead>
<tr>
<th>Project Risks</th>
<th>Risk Rating</th>
<th>Proposed mitigation</th>
<th>Residual Risk Rating</th>
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<tbody>
<tr>
<td>Magnitude of the Botswana HIV/AIDS epidemic may limit the measureable effectiveness of intervention in the short-term.</td>
<td>H</td>
<td>Comprehensive and evidence-based prevention project being prepared</td>
<td>M</td>
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<td>Coordination, accountability, and capacity limitations within NACA could lead to</td>
<td>H</td>
<td>Detailed examination of institutional design options; development of a</td>
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<td>Implementation Delays</td>
<td>Capacity Development Plan, in close consultation with the Ministry of Finance and other development agencies supporting NACA</td>
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<td>Limited Government Experience in Collaborating Directly and Channeling (Significant) Resources to Civil Society and the Private Sector</td>
<td>Preparation of Detailed Civil Society/Private Sector Operations Manual (Sub-section of Overall Project Operations Manual)</td>
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<td>Continued Denial and Stigma Issues, and Limited Government Experience in Enabling Service Delivery to Highly Vulnerable Populations, Such as Commercial Sex Workers and Migrant Workers</td>
<td>Use of Analytic Work on the Drivers of the Epidemic as an Advocacy Tool; Sharing of Experience and/or Approaches from Other National Programs, Particularly with Respect to Ensuring Balance Between Program Spending and the Needs of Population Subgroups at Highest Risk of Infection</td>
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<td>Overly Participatory Approach/Tradition Could Lead to Delays and Accountability Challenges in Project Implementation</td>
<td>Development of a Detailed Timeline of Incremental Steps That Are the Responsibility of Counterparts for Each Stage of Implementation</td>
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<tr>
<td>Very Limited Experience of Botswana Working with the World Bank, and Vice Versa</td>
<td>Conduct of Extended Missions to Enable Greater Sharing of World Bank Principles and Procedures, and Vice Versa; Development of a Training Program for Key Counterparts Focusing on the Basics of Bank Operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit of the Project Financial Statements May Be Delayed Beyond Six Months After the End of the Government Financial Year</td>
<td>The Project Financial Statements Will Be Prepared and Audited as a Special Fund and Submitted to the Bank by September 30th Each Year</td>
<td></td>
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</tr>
<tr>
<td>Delay in the Preparation of Financial Statements at the District Council Level</td>
<td>The Office of the Auditor General Will Clear All of the Audit Backlogs: (I) No Later than Eight Months After the Effective Date for Phase I Health Districts; and (II) By Inception of Phase II Health Districts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Delay in Accounting for Utilization of Funds at the CSO and CBO Levels</td>
<td>Simplified Accounting Forms Have Been Designed as Part of the Operations Manual, Plus Training on Effective Utilization</td>
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</tr>
</tbody>
</table>

**Overall Risk Rating:** M

*Risk Rating – H (High Risk), S (Substantial Risk), M (Modest Risk), L (Low Risk) N (Negligible Risk)*

**F. Loan Conditions and Covenants**

70. Prior to Negotiations, Government confirmed the finalization and adoption of the: (a) the Operational Manual; (b) the Civil Society Grant Guidelines; (c) the plans and budgets for the first year work program; (d) the TORs for the long term technical assistance; and (e) the formats of the un-audited Interim Financial Reports. All these documents are available in final form and have been produced jointly by the Government and the World Bank.

*Board Conditions*
71. There are no Board conditions.

**Effectiveness Condition**

72. Standard effectiveness conditions, in addition to the following: NACA has recruited the following technical specialists for the Project: (a) a management and implementation senior specialist; (b) a financial management specialist; (c) a procurement specialist; and (d) a District-level grant officer in each of the following Districts: South East District, Kweneng East District, Francistown District, Selebi-Phikwe District, and Goodhope Sub-District, all with terms of reference, qualifications and experience satisfactory to the Bank.

**Disbursement Condition**

73. No withdrawals shall be made with respect to the Civil Society/Private Sector Component of the Project until: (a) Government has furnished evidence to the Bank for its approval that the first 20 grants under this component have been made in accordance with the criteria, terms and conditions set forth or referred to in the Operational Manual; and (b) 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.

**Covenants**

74. *Dated covenants*

   i) No later than three months after the Effective Date, the Borrower shall have ensured that NACA has recruited the following long-term senior technical specialists for the Project (in addition to those recruited prior to effectiveness): (i) a second financial management consultant; (ii) a second procurement consultant, each with terms of reference, qualifications and experience satisfactory to the Bank.

   ii) The Borrower shall ensure that its Office of the Auditor General has cleared all of the audit backlogs: (i) no later than eight months after the Effective Date for Phase I Health Districts; and (ii) by inception of Phase II Health Districts, to the Bank's satisfaction.

   iii) No later than one year after the Effective Date, the Borrower shall have ensured that a detailed social analysis for the Project has been carried out, as satisfactory to the Bank.

   iv) No later than six months after the Effective Date, the Borrower shall have ensured that all finance and accounting staff in the Public Sector Ministries and NACA necessary for Project implementation have been recruited, all with terms of reference, qualifications and experience satisfactory to the Bank.

75. *Other covenants*

   a) Within the context of the overall national program, hold a joint annual partner: (a) retrospective review of program and project progress; and (b) prospective review of program and project plans for the coming year.

   b) Hold a project mid-term review.

   c) Maintain the Project Steering Committee throughout project implementation.

   d) Quarterly financial reports be prepared and submitted to the Bank no later than 45 days from the end of each quarter.
e) Annual audit reports will be submitted to the Bank by September 30 each year.

IV. APPRAISAL SUMMARY

A. Economic and financial analyses

76. Project preparation involved the completion of a detailed report on the "Financing and Delivery of HIV/AIDS Prevention, Treatment, and Social Support Services in Botswana: An Economic Analysis." The report summary is attached as Annex 9. The report findings informed project preparation and formed much of the basis of the Bank's policy dialogue. The key messages of the report revolved around four areas, as follows:

77. The financing gap for the HIV/AIDS response will increase - Mapping of the available resources for HIV/AIDS response against the requirements as defined in the National Strategic Framework (NSF) indicates a significant gap, even if NSF resource requirements are revised downwards by 15 percent. By 2008/09, it is estimated that this gap would reach US$221 million. Indeed, by then if NSF were fully funded, it would account for about 5 percent of GDP and about 15 percent of government spending, a significant expenditure program that would require serious fiscal space implications. The report analyses various alternatives to increase fiscal space for the scaled-up HIV/AIDS response - including improved revenue effort, increased external grant aid, and new borrowings - and concluded that improved expenditure efficiency would be the best approach. Towards this end, the report focused on identifying means to increase the allocative and implementation efficiency of the HIV/AIDS response.

78. A thorough understanding of the nature of the epidemic should inform and define the appropriate response - Unlike the HIV/AIDS epidemics in other parts of the world which are largely concentrated and have seen falling prevalence, the southern Africa HIV/AIDS epidemic is unique in that it is generalized, i.e., it is driven primarily by the sexual behavior in the general population. A marked characteristic of the southern Africa epidemic is the high prevalence of multiple concurrent sexual partnerships which, in turn, is fueled by high population and labor mobility, high income inequality, and gender dynamics that often sees the exploitation of women. Increasing research about this type of epidemic indicates that it requires large-scale fundamental changes in social norms and sexual values and practices. In terms of appropriate interventions, such an epidemic underscores the importance of social and community change processes through more aggressive and widespread local responses. Narrow, highly medicalized technical interventions are not adequate to deal with the generalized epidemic that is now ravaging Botswana.

79. Allocative and technical efficiency of the response should be improved - Government spending on HIV/AIDS prevention is only 7 percent, compared to the 35 percent UNAIDS "norm" as gathered from various African countries. In contrast, Government spending on treatment and care is a hefty 59 percent, compared to a 38 percent UNAIDS "norm". Optimal allocation, as demonstrated in Africa-wide HIV/AIDS modeling (Annex 9), shows that a combined response of prevention and treatment would result in the highest proportion of infections and deaths averted. For this reason, the report proposed that the Bank project be heavily oriented on prevention activities, and specifically through the local community-level response. The report also identifies several measures to improve "value-for-money" in spending, including changes in drug procurement, e.g., greater use of generics, use of fixed dose combinations, and timely payment of suppliers to prevent expensive emergency procurement; labor-saving mechanisms in antiretroviral treatment; and better integration of HIV/AIDS services
with family planning and maternal and child health, and tuberculosis control; and greater emphasis on new interventions including male circumcision and a revived family planning program.

80. **Stronger focus on cost-effective prevention and improved treatment adherence are required to contain the epidemic** - As the HIV/AIDS epidemic matures, and as the ART program reaches full coverage, Botswana needs to face new challenges in prevention occasioned by disinhibition behavior, i.e., the false sense of security that patients on treatment feel, leading them to resume risky sexual behavior. Thus, Botswana needs to deal with prevention for uninfected as well as infected individuals, including those on antiretroviral treatment. For those on treatment, Botswana also has to deal with the challenge of making sure that they adhere to their drug regimen; failure to do so engenders drug resistance with serious fiscal implications due to the need to provide much more expensive second-line drugs.

B. Technical

81. The BNAPS Project is built on the principles of internationally-accepted best practices for HIV/AIDS programs, taking into account the country's socioeconomic circumstances and reliable the emerging body of detailed epidemiological data becoming available. It is also built upon the experiences of the MAP program. The comparative advantage of different sectors and the community in the national response to HIV/AIDS is well established. The project also places strong emphasis on strengthening institutions, learning and innovation, and an overall performance-based approach.

C. Fiduciary

*Financial Management*

82. NACA will be strengthened to meet the challenges of the multi-level coordination demands of the Project. Key staff at NACA, line ministries and District Councils will be trained in World Bank financial management and disbursement procedures. The Operational Manual outlines, *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.

83. The Project will hire two financial management specialists for a maximum period of two years at the program and project levels. Their responsibilities will include: production of financial management guidelines for donor funded project implementation; training of program and project staff in financial management, monitoring of utilization of funds and other responsibilities as provided in their terms of reference.

84. NACA's proposed financial management arrangements, as well as the arrangements at MFDP which will have the responsibility of managing the loan funds and authorizing disbursements in form of finance warrants to NACA, were reviewed in accordance with the Financial Management Practices Manual dated November 3, 2005. The overall conclusion of the financial management risk assessment is "moderate." The Project will use the Government's financial management system which was assessed to have met the minimum requirements of the Bank's OP/BP 10.02 (Annex 7).
Procurement

85. The Bank has carried out a cursory assessment of the country procurement environment in October, 2007. Botswana has a Procurement Act and Regulations (2006) to regulate the procurement practice in the country. The Botswana Public Procurement and Asset Disposal Board (PPDAB) is a statutory body with functions defined in the Act. This body combines both regulatory function and operational functions (the latter by reviewing all procurement transactions above a set threshold). Standard bidding documents have been prepared and distributed electronically to user agencies in July, 2007. The Bank’s assessment suggested areas for improvement in the procurement systems and shared the same with PPDAB and concerned stakeholders. Procurement under the Project would be carried out in accordance with the World Bank’s "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004, revised October 2006; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers' dated May 2004 revised October 2006, and the provisions stipulated in the Legal Agreement. The Bank’s standard bidding documents shall be used for procurement of goods under International Competitive Bidding and the Bank’s standard Request for Proposal (RFP) shall be used for selection of large value consultants involving international consultants.

86. National Competitive Bidding shall follow the Government of Botswana’s procurement procedures, provided that the following provisions shall apply for the use of the 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. Alternatively the Bank’s standard bidding documents may be used and adapted for National competitive bidding.

87. Procurement activities under the Project will be carried out by NACA, line ministries of Education, Labour and Home Affairs, Local Government, Works and Transport, Youth, Sports and Culture and Health at central government level. At decentralized level, procurement activities will be undertaken by district councils and civil society organizations (CSOs). NACA, line Ministries and District Councils all have established Supplies Units or Divisions which are responsible for the procurement and stores function. The supplies units are managed by technicians to middle professional staff. Staff in the Supplies Units, have adequate experience in procurement through shopping procedures but have little experience in large value tendering of goods and selection of consultants. For large value goods contracts, the Supplies Units are assisted by sector specialists to prepare tender documents. Protracted delays are experienced in the adjudication of quotations and tenders above US$1,000 because of many committees that have to review the recommendations and these committees do not meet regularly.

88. At community level, procurement will be undertaken by CSO networks and grass root CSOs. CSO networks have adequate capacity to undertake procurement through shopping procedures and recruitment of individual consultants and small value consultancies for firms. The capacity of grassroot CSOs is considered weak in both project and fiduciary management of
project activities. Overall, the capacity of the implementing agencies to undertake procurement is considered average and the risk is moderate. The main risks envisaged include: (a) uncompetitive procedures and provisions in the Procurement Act and bidding documents; (b) lengthy and delayed approvals due to several approval thresholds and by several committees which do not meet regularly; (c) staff not familiar with procurement under World Bank procedures in general and selection and employment of consultants in particular; (d) delays in start up activities because staff do not have experience in large value procurement and procurement under World Bank procedures; and (e) weak civil society capacity at grassroot level.

89. To mitigate against these risks, the Project will put in place the following measures: (a) have arrangements in place to streamline internal procurement review process; (b) apply exclusions to National Bidding documents to remove uncompetitive provisions, or alternatively adapt Bank bidding documents for NCB; (c) train staff in World Bank procurement procedures and selection of consultants; (d) engage and maintain procurement specialists for first 2 years of the Project; (e) engage Grant officers with prerequisite knowledge in fiduciary management to supplement the capacity of District Aids Coordinators; (f) train CSOs in procurement prior and support CSO networks to assist their affiliates in fiduciary management; and (g) prepare procurement documents for key start up activities (Annex 8).

D. Social

90. The HIV/AIDS epidemic will continue to exert severe social and economic consequences in Botswana over the coming years with increasing rates of morbidity and mortality, and increasing numbers of orphans. The BNAPS Project will pay close attention to social issues with a renewed focus on expanding coverage of HIV/AIDS-related services to vulnerable populations.

91. A major gap identified by many stakeholders, with respect to the previous national strategy, was the need to target interventions more effectively on vulnerable groups. Vulnerable groups in Botswana include, but are not limited to, adolescent women, serodiscordant couples, orphans and other vulnerable children, migrant workers, and commercial sex workers. With a growing recognition of the need to focus on vulnerability and concurrency of sexual partnerships, it was agreed that all priority areas of the NSF would explicitly address the needs of groups that are especially vulnerable to infection, or whose quality of life or social and economic well-being is most severely affected by the epidemic. The BNAPS Project would support this approach through its targeted and results-based interventions, and would additionally ensure that the results of planned additional social assessment work are reflected in the evolving program design.

92. One of the key reasons that a broader, multi-partner, multi-level response to HIV/AIDS is required is the influence of socio-cultural norms and values on the spread of the disease. Through the BNAPS Project, concerted efforts would be made to promote socio-cultural norms, values, and beliefs that are consistent with the reduction of HIV transmission, and to protect the human rights of those infected or affected by the disease. NACA-coordinated activities are expected to pursue this objective through behavior change communication campaigns, advocacy, counseling, consultation, and intensified enforcement of both customary and written laws, particularly with respect to gender-specific issues. A detailed social analysis is planned for Year One of the Project (Annex 13).
E. Environment

93. The Project has been classified as “Category C” for environmental screening purposes, which precludes the requirement for the World Bank to conduct a project-specific health sector waste management assessment. The Government’s national medical waste management plan has been included in the project file, as per agreement with the World Bank’s Africa Regional Safeguards unit.

F. Safeguard policies

94. No safeguard policies have been triggered by the BNAPS Project (as noted below and also in Annex 10).

<table>
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<td>Projects on International Waterways (OP/BP 7.50)</td>
<td>[x]</td>
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</table>

G. Policy Exceptions and Readiness

95. The BNAPS Project does not require exceptions from Bank policies. The Project meets the Regional criteria for readiness for implementation. The Operations Manual has been approved.

96. NACA has indicated its willingness to pre-finance a number of key activities. As per World Bank operations policy [OP 6.0, para.2(e)], retroactive financing is permitted under the following conditions: (a) the activities financed are included in the project description; (b) the payments are for items procured in accordance with applicable Bank procurement procedures; (c) such payments do not exceed 20 percent of the loan amount; and (d) the payments were made by the borrower not more than 12 months before the expected date of Loan Agreement signing.

97. The date after which payments may be made was agreed at appraisal, confirmed during negotiations, and recorded in the Loan Agreement which provides that payments may be made up to an amount of US$500,000 from July 1, 2008 onwards. It was agreed that the Loan would allow for retroactive financing of the consultancy services associated with Component 1 (technical and fiduciary consultancy services for NACA).
Annex 1: Country and Sector or Program Background

BOTSWANA: Botswana National HIV/AIDS Prevention Support Project

**Brief Country Profile**

1. Botswana is a small land-locked country in Southern Africa, bordered by Zambia and Angola to the north, Namibia to the west, and Zimbabwe and South Africa to the east and south respectively. The administrative structure is composed of 9 districts (Central, Ghanzi, Kgalagadi, Kgatleng, Kweneng, North East, North West, South East and Southern), 5 urban districts, 28 sub-districts, and 24 health districts.

2. Since independence from the United Kingdom in 1966, its economic indices have appreciated significantly. Its GDP per capita has risen from US$304 at independence in 1966 to US$4,423 in 2006 (measured in constant 2000 USS). Diamond mining, which has been the largest GDP contributor for the past thirty years accounts for 38 percent of GDP and for 70-80 percent of export earnings. Tourism, financial services, subsistence farming, and cattle farming are other key economic sub-sectors. In contrast to these indicators, the country continues to face significant development challenges including high inequality (as measured by the Gini coefficient), high unemployment at an estimated 20 percent (unofficial estimates place this figure closer to 40 percent) and limited economic diversification, and the world's second most severe HIV/AIDS epidemic.

**Demographic and Health Profile**

3. Botswana has a population of 1.8 million with an annual growth rate of 1.5 percent. It has a contraceptive prevalence rate of 40.4 percent, a total fertility rate of 3.1 children per woman and a crude death rate of 27.7 percent. About 50 percent of its population lives in the rural areas with sparse population settlements in the villages along the westward located Kalahari Desert. Its education indicators are impressive with an adult literacy rate of 81.2 percent and a female primary school enrolment rate of 83 percent.

4. However, some social indicators are weaker than those of other middle income economies. In 2006 Botswana ranked 131 out of 177 countries on the Human Development Index as the HIV/AIDS pandemic continues to jeopardize the social gains of recent decades with key health indicators on decline. Life expectancy has quickly fallen from 60 to 35 years. Infant mortality is up from 45 (per 1,000 births) in 1990 to 85 in 2005. Tuberculosis is up from 236.2 (per 100,000) in 1990 to 670.2 in 2005 and made up approximately 38 percent of AIDS deaths. Malaria is not endemic in Botswana, with seasonal occurrences during the rains in the northern districts of Central, Chobe, Ghanzi, Ngamiland, and the Okavango Delta area.

5. Botswana has 24 health districts, each with a health team. It has 3 referral hospitals, 12 district hospitals, 17 primary hospitals, 222 clinics, 220 health posts and 740 mobile stops. Towards strengthening its HAART delivery system, the Ministry of Health is constructing 250 additional clinics so as to increase access to ARVs. Total expenditure on health is 5.6 percent of GDP, with general government spending making up 58.2 percent and private spending making up 41.2 percent. It has 0.4 physicians, 2.65 nurses, and 0.19 pharmacists per 1000.
**HIV/AIDS**

6. It is estimated that in 2008, 283,000 adults (over 15 years of age) were living with HIV/AIDS in Botswana. This indicates a national adult (15-49 years) prevalence of approximately 23.8 percent. As noted earlier, key factors fueling the HIV/AIDS epidemic include the incidence of multiple concurrent sexual partnerships, the incidence of unprotected sex, the vulnerability of women, persistent inequality and poverty, and high levels of population mobility, including cross-border challenges.

7. The number of new infections rose rapidly during the early 1990s, peaking in the mid-1990s. The number of AIDS deaths started to grow rapidly about 10 years later than the rise in new infections, peaking in 2003, just before the expansion of the national AIDS treatment program. Around 2003, the number of new infection was approximately equal to the number of AIDS deaths, with respect to the adult population of Botswana. The successful expansion of the treatment program has reduced the number of AIDS deaths by half. The most significant challenge for the national program, currently, is to strengthen efforts to reduce the number of new infections still occurring each year. During 2008, it is projected that there will be 14,100 new adult infections, 690 new child infections, and 7,700 AIDS deaths in Botswana. Despite continued challenges in expanding prevention efforts, some pockets of improvement have become evident.

**Prevalence**

National HIV prevalence in Botswana has shown a steady decline fallen, most prominently amongst the most vulnerable age groups; 15-19 year olds (22.8 percent in 2003 to 17.5 percent in 2006) as well as the 20-24 year olds (38.6 percent to 29.4 percent in 2006), as is demonstrated in Figure 1. There has been an increase in the reported condom use with non-regular partners in the last 12 months among ages 15-24, from 82 percent in 2001 to 87.5 percent in 2005. Other positive responses include that fact that testing increased to 25.4 percent of 10-64 year olds in 2004 from 8.9 percent in 2001. There also has been an increase in the proportion of pregnant women attending antenatal clinics accepting HIV testing, from 71 percent in early-2004 to 80 percent in early-2007. In parallel, there has been an increase in the number of HIV-seropositive pregnant women receiving a complete course of antiretroviral prophylaxis to reduce the risk of mother-to-child transmission, from 34.3 percent in 2001 to 89 percent in 2007. This has yielded a dramatic decline in the proportion of infants born to HIV+ mothers who are infected at 18 months, from 40 percent in 2001 to 7 percent (at 6 weeks) in 2007.

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7 BAIS II, 2005.
Figure 1: Trends in age-specific HIV prevalence rate among pregnant women 1992-2006,
Sentinel Surveillance, Botswana

Incidences

8. HIV incidence increased from 6 percent to 8.7 percent between 2001/2002 and 2006, for pregnant women attending ANC. This can be partially explained by the following data:

- An increase in proportion of males between 15 and 24 years old who have ever had sex from 39 percent (2001) to 56.1 percent (2005), and females in the same age group increased from 42.2 percent to 57.9 percent in the same time frame.

- An increase in the proportion of people aged 15-24 years old reporting unprotected sex in the last month after consuming alcohol, from 5 percent in 2001/2 to 14.7 percent in 2007 (a 200 percent increase).

- Increase in the percentage of young people 15-19 who had sex with more than one partner during the last 12 months from 0.3 percent in 2001 (BAIS I) to 17.1 percent in 2005 (BAIS II).

- A reduction of 15 percent in the proportion of people aged between 15 and 24 who know all three ways of preventing sexual transmission, from 36.3 percent in 2001/2 to 17.35 percent in 2005. Further segregated, only 15.5 percent of 15-19 year olds and 19.2 percent of 20-24 year olds know all three ways of preventing HIV transmission. 10.65 percent of 15-24 year olds didn’t know any way of preventing HIV transmission.

9. The effect of HIV/AIDS has been nothing short of devastating and threatens the long-term socio-economic development of Botswana. In 2002, the Government of Botswana commenced its national treatment program, via which it offered free ART treatment to all infected Botswana citizens with CD4 levels<200, presence of an AIDS defining illness or any child under the age of 13 years. Following this, ART sites were rolled out in a phased manner and by December 2005, 32 ART sites covered all 24 districts in the country. As of March 2008, national treatment coverage is estimated to be 88.4 percent. Patient follow-up and adherence to treatment has been estimated at over 90 percent.

9 BAIS II (2005)
10. It is of significant economic concern that national HIV/AIDS-related investments have displaced other budget priorities, especially given the paucity of donors active in Botswana. It should be noted that the Government of Botswana finances over 90 percent of the national HIV/AIDS program. The cost of this disease-specific government allocation has increased dramatically from US$69.8 million in 2000-2001, to US$165 million in 2004-2005.

11. The government agency in charge of coordinating the national response is the National AIDS Coordinating Agency (NACA), which serves as the secretariat of the National AIDS Council (NAC) which up March 31, 2008 chaired by the President of the country, now chaired by the former President. NACA has the primary responsibility of overseeing the multi-sectoral implementation of the national response as stipulated in the National Strategic Framework (NSF). However its efforts have yet to realize their full potential due to weak operating systems and inadequate human resources. International donors have also played a significant part in the response to HIV/AIDS in Botswana, though compared to other high prevalence countries, they are few in number. Notable among these are the US government (CDC, PEPFAR, and BOTUSA), ACHAP (partnership between the Bill and Melinda Gates foundation, Merck and the Government of Botswana) as well as the key UN agencies.

12. The Civil Society Organizations (NGOs, FBOs, PLWHA Groups, and the Private Sector) response is quite extensive in Botswana. They are the primary implementers of HIV/AIDS related activities at the community level. Majority of them are local, while only a few international NGOs (e.g. Population Services International) are represented. They are primarily funded by the Government of Botswana, but also receive funding from the international donors. However poor coordination, inconsistent funding and weak implementation and monitoring capacity have blunted the potential effect of the CSOs.
Annex 2: Major Related Projects Financed by the Bank and/or other Agencies

BOTSWANA: Botswana National HIV/AIDS Prevention Support Project

1. The proposed project would be the first lending operation in Botswana since its graduation to middle-income status. However, since the request for the HIV/AIDS operation, IBRD support has also been requested in the transport and energy sectors.

2. Key health sector partners include the USG/PEPFAR, ACHAP, the Global Fund, and the European Commission, as indicated in the Table below.

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<td>280.641</td>
<td>281.684</td>
<td>326.993</td>
<td>311.070</td>
</tr>
</tbody>
</table>

Sources: Interviews with BOTUSA and ACHAP managers; Botswana NSF; e-mail communication with Population Services International /Botswana; Global Fund website and Round VII proposal; and World Bank HIV/AIDS project preparation team.

- The Botswana-USA (BOTUSA) Project, mainly funded by PEPFAR, spent US$76 million in 2006/07, and has committed to spend US$93 million from October 1, 2007 to September 2008. According to program managers, it is likely that the project will commit at the level of FY07 over the medium term. Moreover, although PEPFAR ends in FY09, Congressional support has been obtained for USS30 billion for PEPFAR II, focusing on 15 countries including Botswana.

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10 This grant was cancelled.
11 Population Services International has an annual budget of US$3 to 4 million. However, of this total amount, a fraction needs to be netted out representing the amount received from BOTUSA.
- ACHAP spent US$13 million in 2006 and US$26 million in 2007, according to program
  managers. US$113 million remains from the original grant which, if divided equally to
  be spent in 2008 and 2009 will yield an annual figure of US$56.5 million.

- The Global Fund's Round II grant to Botswana was cancelled. Government's application
  for Round VII was not approved. (The total request for five years is US$36.912 million,
  which would have provided resources of an average of US$7.382 million a year.)

- The UN agencies are active in various areas of HIV/AIDS activities, but their financial
  commitments are relatively small.

- The World Bank currently is not involved in the HIV/AIDS sector, but if the project
  under preparation is approved, it should be able to commit about US$10 million a year
  over the medium term.

- Population Services International has an annual budget of US$3 to 4 million a year. In
  addition, donated commodities procured abroad are around US$500,000 to US$750,000
  per year.
Annex 3: Results Framework and Monitoring

BOTSWANA: Botswana National HIV/AIDS Prevention Support Project

1. Botswana is committed to rapidly strengthening its capacity in monitoring and evaluation. The BNAPS's support to M&E would be guided by the following criteria: (i) support for the NSF and the development of a single national M&E system, under the principle of the “Three Ones”; (ii) support for an M&E system, that enables DMSACs to monitor and improve their performance as well as allowing for monitoring of community, district and national activities; (iii) support for institutional, human resource and systems development; and (iv) support for activities which are not being financed by other development partners; and (v) support to the NACA in its function as the lead coordinating agency for the sharing and coordinating of M&E activities between all agencies and donors. Improvements in the indicators as reflected in the HIV/AIDS Score Card (Annex 14) would be measured through this approach.

2. The Botswana HIV/AIDS Response Information Management System (BHRIMS) is the national multi-sectoral response monitoring system. Accompanying and supporting documents are the BHRIMS plan 2003-2009, BHRIMS costing (2002), inventory of stakeholders and baseline for indicators (2003). Management and support bodies have been established as the BHRIMS Technical Working Group, the BHRIMS secretariat in NACA, and the BHRIMS focal points at sector, program and district levels.

3. The information management has been decentralized under BHRIMS to the district level under the District Multisectoral AIDS Committees. The District AIDS Coordinators (DACs) who also serve as secretaries to the DMSACs, act as focal persons in data management at district level. Implementing partners and other stakeholders submit reports to the DMSACs. Data collection and analysis at district level has also been facilitated by the introduction in all districts of a computerized system based on the UNAIDS’ Country Response Information System.

4. The performance by BHRIMS has been demonstrated by the regular and timely production of reports for the United Nation General Assembly Special Session on HIV/AIDS (UNGASS), Millennium Development Goal and for national level bodies. Capacity is however a constraint and considerable effort has been put into training of key stakeholders and supply of IT material and software. Through BHRIMS a national M&E curriculum has been developed and training of stakeholders has been initiated and is ongoing at the Institute of Development Management. Through support from development partners (i.e. ACHAP and BOTUSA), M&E personnel have either been placed at the sectoral and district levels or plans are underway to have them placed at these levels.

5. While data collection and reporting at national, aggregate level is already well advanced in Botswana, monitoring of activities and results at local level is, as in most countries, less well established. However, changes at local and community level are critical to significantly change the course of the epidemic. The project, through a results-based design of the civil society and private sector component, has built in the measuring and reporting of baseline, progress and project completion data. This design also permits assessing the effectiveness of specific Calls for Proposals to bring about change through social mobilization of civil society and private sector organizations. These changes at community level are captured through the same indicators as those used in the BAIS. They also contribute to changes at aggregate level as reflected in the BAIS reports but cannot be compared as such since the denominators are different.
6. The following table reflects some of the indicators used to monitor the project, with a special focus on the institutional capacity of NACA and on the performance of the civil society and private sector component.

### Results Framework

<table>
<thead>
<tr>
<th>Project Development Objectives</th>
<th>Project Outcome Indicators</th>
<th>Use of Project Outcome Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>The project development objective is to assist the Government of Botswana to increase the coverage, efficiency, and sustainability of targeted and evidence-based HIV/AIDS interventions through: (i) strengthening NACA’s institutional management and coordination capacity; and (ii) financing strategic and innovative HIV/AIDS-related prevention and mitigation activities.</td>
<td>Increased efficiency in Botswana’s HIV/AIDS program through improved coordination and increased focus on, and better targeting of, prevention activities.</td>
<td>Assesses overall NACA performance and identify needs for further institutional strengthening and technical support.</td>
</tr>
<tr>
<td></td>
<td>Joint Annual Program Reviews conducted over the period 2009-2014 with participation from principal development partners, implementing partners from civil society, private sector and public sector.</td>
<td>Assesses the impact of NACA’s performance in coordinating the implementation of the NSF (in line with the World Bank HIV/AIDS Scorecard).</td>
</tr>
<tr>
<td></td>
<td>Project Mid-Term Review conducted.</td>
<td>Assesses the progress and obstacles in the implementation of the NSF, guides priority setting and the formulation of CfPs.</td>
</tr>
<tr>
<td></td>
<td>Performance of NACA assessed by NACA’s beneficiaries and of TA within NACA twice during project (year 2 and 4).</td>
<td>Assesses implementation efficiency (both technical and financial) of public, civil society, and private sector programs and identify needs for additional support and technical assistance.</td>
</tr>
<tr>
<td></td>
<td>Proportion of sexually active M/F who report having had sex with more than one partner in the past 12 months. Per age group: 15-19 20-24 25-49</td>
<td>Assesses impact of NACA’s performance in implementing the NSF, particularly with respect to prevention and mitigation efforts.</td>
</tr>
<tr>
<td></td>
<td>Number of Male Circumcision procedures performed in selected health facilities.</td>
<td>Assesses project effectiveness with regard to specific CfP.</td>
</tr>
</tbody>
</table>

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12 These outcomes, related to specific CfP, are based on CfPs that have been agreed at project appraisal. During implementation more and different CfPs / outcomes could be added as needed.
### Component 1- National Coordination

**Outcome 1:**
Fully operational NACA effectively coordinating program implementation, including at decentralized levels and also including strengthened accountability and financial management.

<table>
<thead>
<tr>
<th>Intermediate Outcomes</th>
<th>Intermediate Outcome and Output Indicators</th>
<th>Use of Intermediate Outcome Monitoring</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of youths aged 15 to 19 and 20 to 24 who both correctly identify ways of preventing the sexual transmission of HIV and who reject major misconceptions about HIV transmission</td>
<td>Assesses project effectiveness with regard to specific CfP.</td>
<td></td>
</tr>
<tr>
<td>Proportion of youth aged 15 to 19 and 20 to 24 years reporting either a) no sexual activity or b) condom use during the last sexual encounter with a non-regular partner in the past 12 months.</td>
<td>Assesses project effectiveness with regard to specific CfP.</td>
<td></td>
</tr>
<tr>
<td>Percentage of people 15 to 19 and 20 to 24 who report a sexual partner with more than 10 years age difference during the last 12 months</td>
<td>Assesses project effectiveness with regard to specific CfP.</td>
<td></td>
</tr>
<tr>
<td>Annual audit report for NACA demonstrating transparent and accountable financial management.</td>
<td>Assesses capacity and performance of NACA’s financial management.</td>
<td></td>
</tr>
<tr>
<td>Number of proposals originating from CfP processed within standard timeframe: a) rejected b) approved and funded</td>
<td>Assesses efficiency and effectiveness of program implementation and coordination of NACA, including at decentralized levels.</td>
<td></td>
</tr>
<tr>
<td>The proportion of DMSACs that submit quarterly reports on project-supported community projects to NACA.</td>
<td>Assesses needs for DMSAC training and supervision.</td>
<td></td>
</tr>
<tr>
<td>Independent Results Verification of grantees conducted in a representative sample of grants.</td>
<td>Assesses needs for improving grantee reporting and DMSAC supervision of grantees.</td>
<td></td>
</tr>
<tr>
<td>Disbursements from NACA to beneficiaries, public sector as well as CfP grantees.</td>
<td>Assesses capacity and performance in financial management and accountability.</td>
<td></td>
</tr>
</tbody>
</table>
Outcome 2:
Operational national M&E system in use for planning, project design and implementation

**Outputs:**
- Targets met with respect to holding stakeholder and donor coordination meetings.
- Follow-up on NACA O&M Review implementation, for the Mid Term Review, completed.

**Intermediate Outcomes:**
- M&E Technical Adviser (Consultant) recruited at NACA, performing according to Terms of Reference.
- At least 80 percent of all NACA grantees provide quarterly program activity monitoring reports.
- Quarterly service coverage reports produced and disseminated.
- Annual National M&E report produced.
- National HIV/AIDS M&E CBO/NGO/FBO database established and populated with priority data fields.
- National M&E Database fully functional to track achievement of results in the NSF.

**Assessment:**
- Assesses perceived effectiveness of NACA among key program beneficiaries and implementation partners.
- Assesses needs for strengthening of coordination mechanisms.
- Assesses staffing levels for M&E at NACA.
- Assesses needs for training and support to NACA grantees.
- Assesses needs for strengthening program activity M&E system.
- Assesses performance of M&E unit.
- Assesses geographical and programmatic gaps in social mobilization, avoid duplicate funding of CBOs/NGOs/FBOs.
- Tracks the performance of the national response to achieve the results included in the NSF.

### Component 2- Public Sector

**Outcome 1:**
Strategic and targeted multi-sectoral programs implemented effectively in the public sector

**Intermediate Outcomes:**
- All priority sectors entities (ministries, ministry divisions, etc.) have developed annual strategic costed workplans.

**Assessment:**
- Assesses needs for further technical and financial support to sectors as well as capacity building and advocacy by NACA.
| All priority sectors entities monitor and report on HIV/AIDS related activities and expenditures. | Assesses needs for further technical, financial and/or M&E support to sectors. |
| Increased collaboration between HIV/AIDS and TB control programs | Assesses the level of efficiency in dealing with the two related diseases. |
| Outputs: | |
| At least 75 percent of financial support to line ministries disbursed by the end of year 4. | Assesses the demand and absorptive capacity of line ministries as well as NACA’s response in terms of financial management. |
| Regional TB/HIV coordinators active in two regions | Assesses staff availability for advancing TB-HIV collaboration. |
| Three hospitals equipped with isolation wards and functional as TB referral centers. | Assesses the access to referral, quality assurance and MDR/XDR TB preparedness functions. |
| Twenty-six primary health clinics upgraded and HAART compliant | Assesses progress in decentralizing the ART program to include more rural areas. |

**Component 3 – Civil Society/Private Sector**

**Outcome 1:**

Strategic and targeted programs implemented efficiently through civil society and private sector partnerships

**Intermediate Outcomes:**

Increased involvement of civil society and private sector organizations to address the prioritized results as indicated in the CFPs.

**Outputs:**

At least 20 organizations per district funded through the CFP mechanism per year.

Increasing percentage of organizations that report:
- baseline data
- end-of-project data
- both baseline and end-
<table>
<thead>
<tr>
<th>of-project data</th>
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</thead>
</table>
| Increasing percentage of civil society and private sector organizations that make progress in reaching the targets specified in their proposals. | Assesses overall effectiveness of the civil society and private sector response component of the project.  
| Increasing percentage of funded civil society and private sector organizations that reach their targets specified in their proposals. | Assesses overall effectiveness of the civil society and private sector response component of the project.
### Arrangements for Monitoring Results of the NSF

<table>
<thead>
<tr>
<th>Project Outcome Indicators</th>
<th>Target Values</th>
<th>Data Collection and Reporting</th>
<th>Responsibility for Data Collection</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Baseline</td>
<td>YR1</td>
<td>YR2</td>
</tr>
<tr>
<td>-Percentage of youths aged 10 to 14, 15 to 19 and 20 to 24 who (a) correctly identify three ways of preventing the sexual transmission of HIV and (b) who reject three major misconceptions about HIV transmission</td>
<td>BAIS II (2004):</td>
<td>4.0</td>
<td>6.0</td>
</tr>
<tr>
<td>10-14</td>
<td>(a)</td>
<td>15.5</td>
<td>20.0</td>
</tr>
<tr>
<td>15-19</td>
<td></td>
<td>19.2</td>
<td>30.0</td>
</tr>
<tr>
<td>20-24</td>
<td></td>
<td>22.5</td>
<td>30.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>46.8</td>
<td>55.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>44.0</td>
<td>55.0</td>
</tr>
<tr>
<td>-Proportion of youth aged 10 to 14, 15 to 19, and 20 to 24 years reporting either (a) no sexual activity or (b) condom use during the last sexual encounter with a non-regular partner in the past 12 months.</td>
<td>BAIS II (2004)</td>
<td>99.7</td>
<td>99.7</td>
</tr>
<tr>
<td>10-14</td>
<td>(a)</td>
<td>68.6</td>
<td>70.0</td>
</tr>
<tr>
<td>15-19</td>
<td></td>
<td>Tbd</td>
<td>Tbd</td>
</tr>
<tr>
<td>20-24</td>
<td></td>
<td>68.9</td>
<td>75.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>85.1</td>
<td>85.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Tbd</td>
<td>Tbd</td>
</tr>
<tr>
<td>-Percentage of sexually active M/F who report having had sex with more than one partner in the past 12 months. Per</td>
<td>BAIS II</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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37
<table>
<thead>
<tr>
<th>age group:</th>
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<tbody>
<tr>
<td>10-14</td>
</tr>
<tr>
<td>15-19</td>
</tr>
<tr>
<td>20-24</td>
</tr>
<tr>
<td>25-49</td>
</tr>
</tbody>
</table>

| Consolidated reports of CSO activities from DACs. | Consolidated reports of CSO activities from DACs. | Consolidated reports of CSO activities from DACs. | Consolidated reports of CSO activities from DACs. |
| --- |
| DAC reports: quarterly after 1st installment for CSO proposals. |
| DAC reports: quarterly after 1st installment for CSO proposals. |
| DAC reports: quarterly after 1st installment for CSO proposals. |
| DAC reports: quarterly after 1st installment for CSO proposals. |

<table>
<thead>
<tr>
<th>Responsibility for Data Collection</th>
<th>Frequency and Reports</th>
</tr>
</thead>
<tbody>
<tr>
<td>NACA</td>
<td>Annual within quarterly reports.</td>
</tr>
<tr>
<td>NACA</td>
<td>Annual within quarterly reports.</td>
</tr>
<tr>
<td>NACA</td>
<td>Quarterly reports.</td>
</tr>
<tr>
<td>NACA</td>
<td>Quarterly reports.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Intermediate Outcome Indicators</th>
<th>Baseline</th>
<th>YR1</th>
<th>YR2</th>
<th>YR3</th>
<th>YR4</th>
<th>YR5</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Component 1:</th>
<th>Annual audit report for NACA demonstrating transparent and accountable financial management.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of proposals originating from CIP processed within standard timeframe:</td>
<td></td>
</tr>
<tr>
<td>a) approved and funded</td>
<td>0</td>
</tr>
<tr>
<td>b) rejected</td>
<td>0</td>
</tr>
<tr>
<td>Percentage of DMSACs that submit quarterly reports on project-supported community projects to NACA:</td>
<td></td>
</tr>
<tr>
<td>Independent Results Verification of grants conducted in a representative sample of grants:</td>
<td></td>
</tr>
<tr>
<td>Quarterly reports.</td>
<td></td>
</tr>
<tr>
<td>Quarterly reports.</td>
<td></td>
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<tr>
<td>Quarterly reports.</td>
<td></td>
</tr>
<tr>
<td>Quarterly reports.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Disbursements from NACA to beneficiaries, public sector as well as CIP grants.</th>
</tr>
</thead>
<tbody>
<tr>
<td>n/a</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>27.7</td>
</tr>
<tr>
<td>17.7</td>
</tr>
</tbody>
</table>

- Number of Male Circumcision procedures performed in selected health facilities.
### Component 2:

| Percent of priority sector ministries that have HIV/AIDS sector policies and programs | Tbd | Tbd | Tbd | Tbd | Tbd | Annual | Annual progress report. | NACA |
| Regional TB/HIV coordinators active in two regions | 0 / 2 | 1 | 2 | Annual | MoH | MoH progress report. | MoH |
| Three hospitals equipped with isolation wards and functional as TB referral centers | 0 / 3 | 2 | 3 | Annual | MoH | MoH progress report. | MoH |
| Twenty-six primary health clinics upgraded and HAART compliant | 0 / 26 | Tbd | Tbd | Tbd | Tbd | 26 | Annual | MLG progress reports. | MLG |

### Component 3:

| Number of organizations that have been funded through the CIP mechanism in the past 12 months | 0 | 40 | 70 | 100 | 100 | Quarterly | Quarterly reports. | NACA |
| Percent of organizations that have reported: | 0 | 60.0 | 80.0 | 90.0 | 95.0 | Annual | Quarterly reports. | DAC/NACA |
| - baseline data | 50.0 | 70.0 | 80.0 | 85.0 | | | | |
| - end-of-project data | 40.0 | 50.0 | 70.0 | 75.0 | | | | |
| - both baseline and end-of-project data | 50.0 | 60.0 | 65.0 | 70.0 | Annual | Quarterly reports. | CSOs/DAC/NACA |
| Percent of organizations funded that have made progress in reaching their targets specified in their proposals | 0 | 50.0 | 60.0 | 65.0 | 70.0 | Annual | Quarterly reports. | CSOs/DAC/NACA |
| Percent of organizations funded that have reached their targets specified in their proposals | 0 | 40.0 | 45.0 | 55.0 | 65.0 | Annual | Quarterly reports. | CSOs/DAC/NACA |

**Note 1:** Indicator V has only baselines from BAIS II for the two indicated age groups (10-14 and 15-19) and refers only to the number of partners in the last 12 months. In view of the importance of concurrent partnership for HIV transmission, the project will collect data from sub-projects about the number of partners during the last 1, 2, 6 and 12 months, and include the age groups 20 to 24 and 25 to 49.

**Note 2:** Indicators related to the CIPs will be reviewed after the evaluation of the CIP mechanism and its results.

**Note 3:** Indicators related to CIPs (III, IV, V, VI and VII) will apply to cumulative baseline data as reported by supported civil society and private sector organizations. Targets will be set once these cumulative baseline data are known. In addition, some of these indicators (at least II, IV and V) will be measured through national level instruments (e.g. BIAS) as applied to population-based data. It is assumed that changes in the population-based data will incorporate changes observed in the data of the collective sub-projects.

**Note 4:** The Calls for Proposals will be prioritized according to their anticipated effectiveness: the one on male circumcision after a policy on male circumcision has been approved, one on the reduction of the number of sexual partners early in the project.
Annex 4: Detailed Project Description

BOTSWANA: Botswana National HIV/AIDS Prevention Support Project

Component 1: Support to NACA:

1. With NACA as the institutional home of the Project, the NACA component will provide very focused and strategic attention to build internal capacity to coordinate HIV/AIDS activities effectively, both for the Project and the program more generally. This is in line with the third goal of the Botswana National Strategic Framework (NSF) for the National Response to HIV/AIDS, which is “Strengthening the Management of the Response”.

2. NACA was established by a Presidential decree on December 8, 1999 and went through a major reorganization in the early 2000s. More recently, based on recommendations from institutional assessments carried out especially by the Government in its NACA joint planning report, the O&M study, the NACA Mid-Term Review, and the World Bank team, the Government at very senior levels has recently concluded a review of the organization of NACA. Some decisions remain pending, but the revised structure of NACA was approved. NACA will continue to have a National Coordinator (at Permanent Secretary level), but with a new structure comprising four Departments – (a) Program Planning, Coordination and Support; (b) Policy, Strategy, Research, Monitoring and Evaluation; (c) Education, Communication and Advocacy; and (d) Corporate Services. Each Department is headed by a Director. This structure is based on a thematic allocation of responsibilities – and then within each Department functional responsibilities have been allocated. For a small organization such as NACA, this is a complex matrix management system – but this is unavoidable given the range and depth of the multi-sectoral issues that NACA is required to address.

3. The agreement on this new structure will in turn permit the recruitment of a significant number of additional staff including the filling of some long-standing vacancies particularly at the middle management levels. This recruitment process has already begun. Thus, within the next 6-9 months these positions will be filled and for the first time for some years, NACA will have a clear organizational structure which is adequately staffed.

4. To complement these Government’s initiatives in reorganizing and re-building NACA, one important focus of the Project inputs will therefore be on capacity building within NACA, in key areas that complement support being provided by other partners. Particular attention will be paid to systems building. The ultimate aim is to ensure that NACA evolves into a viable, credible and efficient organization.

5. The role of NACA as primarily a program coordinator would continue to be emphasized. In addition to its program coordination responsibilities at the central level, it also has decentralized responsibilities especially at the district level. The Project will support central and district activities, with the district activities implemented through a combination of the Ministry of Local Government (the DACs office and the District Council) and the CSOs.

6. With the results focus of the Project, importantly, this component would also provide support for the improved design and strengthening of the National M&E Framework. This would complement other partner inputs, both centrally and in the districts, and would include technical assistance, efforts to improve data use by management, and support for database development and surveys.
7. As part of the building of capacity in NACA, a central part of the Project is long-term technical support for NACA. There are 8 positions planned, which would be senior experienced consultants working in NACA Headquarters. Terms of reference (TORs) for all positions are agreed. These TORs focus on achieving results in capacitating NACA and skills transfer, combined with strict progress reviews, rather than only providing technical inputs. These positions will phase out over the Project and are as follows:

(a) Management and planning
- Senior Management and Implementation Specialist (and de facto technical assistance team leader)
- Senior Capacity Building Specialist
- Senior Strategic Planning and Partnerships Specialist

(b) Fiduciary
- Two Senior Financial Management specialists
- Two Senior Procurement specialists
- Senior Monitoring and Evaluation specialist

8. Recruitment for these positions has started and the Government has agreed, if necessary, to finance these positions initially from its own resources until Project funds are available. To complement these inputs which will be centrally based (but not solely centrally focused), technical assistance at the district level will be available through a variety of arrangements with partners including volunteers from the UN, JICA and the US Peace Corps. Specifically, NACA has agreed to pre-finance the recruitment of mid-level TA (Grant officers), that would primarily be responsible for strengthening the DACs office to implement Project, as well as program activities. Recruitment of these has also commenced.

9. The above assumes that this will continue to be from the Ministry of Finance to NACA and then on. Both NACA and the Bank team would prefer not to have NACA as an intermediary, but this issue remains under discussion, and the status quo prevails.

10. As an important part of NACA's systems strengthening, both the external and internal coordinating structures were reviewed by the Government and partners. The resulting revised arrangements, and particularly the coordinating committee structures, have recently been implemented. The Project implementation arrangements are designed to fit within these structures (see Annex 6).

11. Training, particularly long-term training, and development for NACA's own staff is already well planned and generously financed through existing Government programs. But the Project will finance capacity training, to be implemented by NACA, for CSOs at the national and district levels and associated annual CSO capacity assessments. NACA will also contract an important series of studies focusing on the social aspects of the HIV/AIDS epidemic.

**Internal Streamlining of activities:**

12. In order to suitably tailor its internal processes to adequately address the demands of the national response, NACA will re-calibrate these three existing committees which will expectedly become more potent with the additional human resources mentioned above:

**a) Programs Committee**: Main tasks will include:
- Reviewing, assessing and recommending all the programs, projects and plans submitted to the Technical and Policy Steering Committees;
- Promote Programs coordination and collaboration between the appropriate organizations, agencies and individuals;
Monitor and evaluate all Program activities and effect dissemination of information.

b) Finance, Administration and Audit Committee: Main tasks will include:
- Preparation of estimates of expenditure and prospective budgets;
- Administer and keep under review the rules and regulations governing financial management of NACA’s funds;
- Ensure prudent management of Financial resources;
- Provide a framework for coordination, disbursements, review and advice accordingly of manpower requirements of the committee;
- Liaise and coordinate all matters related to internal and external funding;
- Serve as staff appointments and review committee for NACA;
- Function as a disciplinary committee for the staff of NACA.
- The Committee is tasked with oversight, governance, accountability, and transparency at NACA. The committee shall provide a forum for private and direct communication between committee members and the external auditors, internal auditors, and senior staff. In addition, the committee will establish procedures to receive retain and treat complaints received by NACA regarding accounting, internal accounting controls, or audit matters and for the confidential, anonymous submissions by NACA staff of concerns regarding questionable accounting or audit matters.

c) Procurement Committee: Main tasks will include:
- Review and verify that all the procurement procedures and processes including tender opening, and
- Ensure that technical and commercial evaluations have been undertaken in accordance with the Government of Botswana and the World Bank’s procurement guidelines.

External streamlining of activities:

13. These processes will govern how NACA coordinates Project specific activities with its other development partners. These are pertinent, especially towards further defining NACA’s deliverables.

Project Steering Committee (PSC):

14. This committee with broad based and multi-sectoral membership will ensure that the Calls for Proposals (CFP), and public sector ministerial annual HIV-specific work plans are in-line with the priority areas of the NSF and address the most needed areas of deficiency. Membership will be at Permanent Secretary level for public sector ministries, and director level for the other development partners. The PSC will include key implementing partners at the national level, specifically from the MFDP, MOH, MLG, NACA, MOE, the UN technical agencies and CSO/private sector. Under BNAPS, the PSC will be strengthened in its oversight role, and in holding implementers accountable to work programs that are integrated and targeted towards results. To this end, the type and quality of reporting to the PSC will need to be standardized and with an emphasis on performance. The PSC will meet at least twice a year and share the minutes of key issues discussed and agreed to all implementers and IBRD.

15. The committee will agree on the annual scope of the Project activities, based on the CFP taking into account priorities and gaps identified in the annual review process and will forward their recommendations to the NACA. Once these recommendations have been agreed on, the secretariat proceeds to make the CFP for CSOs, as well as approve or amend the work plans for the public sector ministries. Detailed terms of reference for the ad-hoc committee are to be found in the annex to the manual.
HIV/AIDS Technical Sub-Committee (TSC):

16. The committee is already in existence and was used for GFATM reviews as well as the PEPFAR programs. It will be tasked with reviewing, assessing, and awarding proposals developed by CSOs and the Private Sector at the National level (proposals ranging from 30,000-600,000BWP) as well as technical reviews for the public sector ministerial HIV/AIDS specific work-plans. Apart from the technical and financial viability of the proposals and work-plans the committee will also look for areas of synergy as well as maximize any imminent complementarities.

17. The members of the committee will be appointed by NACA and will then be vetted by the PSC. Under BNAPS, the Technical Steering Committee (TSC) will include key implementing partners at the national level, specifically from the MOH, MLG, NACA, MOE, the UN technical agencies and CSO/private sector. Representatives to the TSC from the Public Sector Ministries will be at least at Director-level. The TSC will meet at least twice a year and share the minutes of key issues discussed and agreed to all implementers and IBRD.

18. Members will have technical expertise in the issue proposed by the CFP and will have no conflict of interest with institutions or organizations submitting proposals. Membership will be multi-sectoral.

Component 2: Public Sector Ministries:

19. This component will support public sector line ministries focusing on initiatives in line with the National Strategic Framework (NSF). In consultation with partners and as indicated in the NSF, the Project will commence with the following ministries: (i) Health; (ii) Works and Transport; (iii) Labour and Home Affairs; (iv) Education; (v) Local Government; and (vi) Youth, Sports and Culture.

20. Annual work plans for funding under the project will be submitted for the Project Steering as well as the HIV/AIDS Technical Sub-Committee’s review. Upon approval, funding will be channeled through NACA for further disbursement to the relevant ministries. Monitoring and evaluation of activities will be coordinated by NACA. The key thematic areas of support would focus on programs and activities in the three priority areas reflected in the NSF. The public sector support will emphasize external and internal mainstreaming and indicative activities under this component include the following:

a) Ministry of Education (MOE): MOE activities will seek to prioritize prevention for in and out of school programs.

Research: (a) A survey will be carried out (“Voice of the affected and infected”) in partnership with Baylor University using an amalgam of standard survey tools to extract and clearly identify the effects of HIV/AIDS on infected and affected children. The cohorts will be children aged 6-18 years of age who either attend or are registered at a health facility. The objective of this will be to utilize the realized information to modify training instruments geared towards children and their guardians; influence the design of IEC/BCC materials and activities; and to influence policy formulation regarding school curricula, social worker services etc.; and (b) A cost-effectiveness study to critically assess the cost-effectiveness of all internal MOE programmatic activities focused on primary and secondary learners and recommend more efficient and strategic mechanisms.

Training: (a) in partnership with Baylor University, the MOE will organize a phased Training of Trainers program aimed at increasing and updating the knowledge of primary and secondary school teachers. The team will have 11 regional sessions with 20 teachers per team. The overarching target is to reach the 23,300 primary and secondary school teachers (b) 6 Training of Trainers workshops per annum for the
regional Guidance and Counseling teams attached to school districts. The aim will be to streamline the ways to effectively pass impart HIV/AIDS prevention messages to learners who are affected, infected or neither. Initial plans are to commence with teams in three regions, with 25 teachers per region.

**Program Implementation:** (a) development of HIV/AIDS guidelines for the MOE. This will involve streamlining the individual guidelines for each of the 9 departments into a coherent and comprehensive and well articulated ministerial guideline which is aligned to the NSF, national HIV/AIDS policy, public service code of conduct on HIV/AIDS on workplace and the DPSM wellness policy, primarily for the purposes of effective intra-ministerial planning; (b) Establishment of multi-disciplinary counseling centers, which will act as one-stop shops for learner support. It will cater to in and out of school learners and will be staffed by psychologists, social workers and nurses serving school clusters. It will serve as a referral center for learners who have HIV/AIDS related psychosocial needs as well as a resource center for in and out of school learners as well as teachers. This initiative is clearly in line with the multi-sectoral thrust of the MOE-MOH school health policy; and (c) The Project will support a consultancy aimed at updating and strengthening the pre-service and teaching curricula by infusing relevant HIV/AIDS materials.

**Program Support:** (a) Support for the “Silent Shout” program which is a television periodical that focuses on youth discussing HIV related issues with their peers and professionals. The Project will support transport, room and board for children who live in the rural areas as they have been logistically excluded from previous editions; (b) Purchase of airtime on regional radio stations towards providing a forum for youth and teachers to discuss HIV/AIDS related issues The aim is to weaken stigma and increase knowledge of HIV/AIDS; and (c) other programs include: support for youth outreach forums, toll-free counseling facility to ensure a safe and private environment to seek and receive counseling, and strengthening the HIV/AIDS resource centers in the 47 vocational colleges nationwide.

b) **Ministry of Labour and Home Affairs (MLHA):** Priorities for the Department of Prisons focused on providing mobile antiretroviral clinics for the largest prisons (4 in Gaborone and 1 in Francistown) to complement the weekly VCT services, as well as in-service training for its staff on HIV prevention methods. Specific activities for the first year will include complementing the VCT and antiretroviral administration capacities at two of the biggest prisons, and training on IEC knowledge and dissemination methods to prisons staff as well as the dissemination of educational materials to inmates.

c) **Ministry of Local Government (MLG):**

**Department of Social Services (DSS):** The DSS will focus on rehabilitating street children by facilitating vocational training as well as educating them on HIV/AIDS. Also specialty training on HIV/AIDS will be given to social workers posted to hospitals, specifically focusing on the psychosocial complications of HIV/AIDS as they affect marital relationships.

**Department of Primary Health Care (PHC):** (a) The Project will support the conversion of 7 recently acquired warehouses to regional medical stores to complement the activities of the central medical store and the pharmaceutical supply chain with the overall objective of reducing stock-outs and re-stocking times of satellite clinics; and (b) the Project will support the upgrades of 26 clinics to become HAART compliant in line with the new government’s policy of dispensing HAART in the ART and PMTCT program.

d) **Ministry of Works and Transport (MWT):** Priorities focused on strengthening existing district programs that focus on mobile populations. Palapye, Selebi-Phikwe, and Francistown were some of the areas highlighted.
Mobile Staff: Outreach and educational activities will focus on the ministry staff that are mobile and rotate between construction and repair sites as well as transporters/truck drivers across the border. Activities here will also focus on increasing STI diagnostic and treatment facilities at the border areas using mobile clinics and IEC/BCC outreach activities.

Stationary Staff: Training activities will be strengthened for the ministerial peer educators who will focus primarily on the stationary ministerial staff.

Commercial Sex Workers: This sub-component will focus on educating and rehabilitating commercial sex workers by engaging them in income generating activities as their predominant clientele are the mobile population at the border regions.

e) Ministry of Youth, Sports, and Culture (MYSC): Priorities are focused on strengthening existing ministerial programs that target youth. Interventions will be nationwide, with the first year focusing on sport facilities along the eastern corridor. Specific activities outlined for the first year will include outreach activities that will target youth, using sport facilities and sporting events as IEC platforms. This sub-component will also focus on Sexual and Reproductive rights as they affect preventative behaviors in youth by preparing an information package on sexual and reproductive health and HIV/AIDS integration. Focus will be on legislation, policy implications.

f) Ministry of Health (MOH): The Health Sector component is being developed around an already strong national treatment and care program. It was agreed that, within the context of the proposed operation, efforts would be focused on providing technical assistance to the prevention activities of the civil society and the public sector components, as well as increasing the technical and financial efficiencies of the PMTCT and ART program.

TB/HIV activities: (a) The Project will support the conversion of wards in three hospitals to regional TB/HIV isolation and referral centers. This will serve to contain the proliferation of the dual epidemic; and (b) Recruitment of two regional TB/HIV coordinators (North and South). These will be charged with coordinating the planning, implementation and evaluation activities of the regional TB and HIV coordinators to promote synergies.

Treatment Program: (a) In partnership with the Botswana Harvard partnership, the Project will support a cost-effectiveness study to review the current treatment program. This is in line with one of the Projects core objectives of increasing the technical and financial efficiency of the treatment program. Currently, treatment commences at CD4 levels of 250 and below. The study will observe two-three cohorts of different higher ranges of CD4 cell counts, observing for the duration and frequency of hospitalizations, occurrence of opportunistic infections and conversion of primary to second-line drugs. This study is currently under-going review by the research and ethics committee and is tentatively planned for the second year of the Project; and (b) The Project will also train pharmacists and pharmacy technicians to strengthen the HR capacity needed to effectively implement the new HAART regimen.

Component 3: Civil Society Organizations (CSO)/Private Sector:
21. This component has been allocated the majority of the Project funds, reflecting the importance of the civil society organizations (CSOs) in the achievement of Project activities. CSO activities will be focused at both the district and national levels and will operate via the call for proposal mechanism. Disbursements will be quarterly and performance based.

22. This component would make financial resources available to civil society, private sector, focusing on initiatives in line with the NSF. In terms of implementation of this component, the process could be described in four interlinked processes: developing calls for proposals; receiving, evaluating, and
Awarding proposals; financial flows monitoring outputs. Awarding proposals to civil society and private sector agencies is proposed to be done at two levels: (i) DAC-level (awarding proposals below 30,000 BWP); (ii) National-level (awarding proposals in a range of 30,001-600,000 BWP) and proposals over 600,000 BWP per year requiring a prior review by the IBRD.

23. The Project preparation team interviewed relevant players in the CSO component as well as collateral counterparts within NACA, the public and private sector as well as other development partners. Findings revealed that CSO dysfunction gravitated around inadequate and inconsistent funding, low capacity and weak capacity development planning strategies, and organizational misalignments within the CSO sub-sector. Project design has emphasized results-based support and targeted community level activities.

24. This sub-component will focus on proposals and activities that prioritize specific HIV/AIDS prevention results and target vulnerable populations including: commercial sex workers, orphans and vulnerable children, migrant workers, women (including widows), youth, workers in small and medium-sized enterprises, micro-enterprises, and the informal sector, and people living with HIV/AIDS. Vulnerable population groups eligible for BNAPS financing will be decided through the agreed processes involving both the HIV/AIDS Technical Sub-Committee and Project Steering Committee, as outlined in the draft Operations Manual. It is expected that this process will streamline funding procedures, agreeable to all stakeholders while focusing on specific thematic areas based on comparative strengths and regional needs.
### Annex 5: Project Costs

**BOTSWANA: Botswana National HIV/AIDS Prevention Support Project**

<table>
<thead>
<tr>
<th>Project Cost By Component and/or Activity</th>
<th>Local US $million</th>
<th>Foreign US $million</th>
<th>Total US $million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component 1: Support to NACA</td>
<td>2.20</td>
<td>5.00</td>
<td>7.20</td>
</tr>
<tr>
<td>Component 2: Public Sector Ministries</td>
<td>9.20</td>
<td>10.00</td>
<td>19.20</td>
</tr>
<tr>
<td>Component 3: Civil Society Organizations/Private Sector</td>
<td>10.80</td>
<td>10.80</td>
<td>21.60</td>
</tr>
<tr>
<td><strong>Total Baseline Cost</strong></td>
<td><strong>22.20</strong></td>
<td><strong>25.80</strong></td>
<td><strong>48.0</strong></td>
</tr>
<tr>
<td>Physical Contingencies</td>
<td>1.00</td>
<td>1.00</td>
<td>2.0</td>
</tr>
<tr>
<td>Price Contingencies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated taxes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Project Costs(^1)</strong></td>
<td><strong>23.20</strong></td>
<td><strong>26.80</strong></td>
<td><strong>50.0</strong></td>
</tr>
<tr>
<td>Interest during construction</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Front-end Fee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Financing Required</strong></td>
<td><strong>23.20</strong></td>
<td><strong>26.80</strong></td>
<td><strong>50.0</strong></td>
</tr>
</tbody>
</table>

\(^1\)Including estimated taxes of US$3.0 million (6.0 percent of total financing)
Annex 6: Implementation Arrangements

BOTSWANA: Botswana National HIV/AIDS Prevention Support Project

1. Implementation of the BNAPS project will be by the existing institutions for implementing and overseeing the national response to HIV/AIDS, and use existing systems and processes. However, where needed, the project will help ensure that the existing institutions, systems and processes are strengthened under the project to help ensure improvements in the implementation efficiency and effectiveness of the overall national response. Detailed implementation arrangements are in Annex 4, and briefly summarized below.

2. The project design calls for a detailed work program for the first year and broad parameters for the remaining four years in order to retain flexibility for adjusting the program for subsequent years taking into account implementation experience gained in the previous year(s), and evolving priorities of the NACA. Therefore, the project design includes annual implementation performance reviews of the BNAPS based on the progress reports prepared by NACA, and discussions and an agreement among the partners on the work program for the subsequent year(s).

3. NACA will coordinate implementation of the BNAPS. The project will be implemented mainly by the civil society organizations and the private sector, and selected public sector ministries. A strengthened NACA, staffed with the requisite qualitative and quantitative capacity, will facilitate the implementation of the project.

4. At the strategic level, the Project Steering Committee (PSC), which has already been established and functioning, is responsible for providing strategic direction and oversight of the BNAPS project, approving the annual work plans and budgets for all the BNAPS implementing partners. As a high level body, the PSC will hold implementers accountable for results. The PSC is chaired by the NACA National Coordinator, and includes key implementing partners at the national level, specifically from the MFDP, MOH, MLG, NACA, MOE, the UN technical agencies and CSO/Private Sector.

5. The HIV/AIDS Technical Sub-committee (TSC), which already exists and is chaired by the NACA National Coordinator, will review plans and activities of implementing partners and address strategic implementation and coordination issues under the project. More specifically, this committee will review all CSO proposals over BWP30,000 and all public sector work plans to ensure consistency with the strategic thematic and geographical areas defined by the PSC, as well as with the goals and objectives of the NSF. It will assess and ensure the technical and financial plausibility of the proposals as well as emphasize the results-based focus of all project activities. TSC’s members at the national level include specifically from the MOH, MLG, NACA, MOE (at the Director level), the UN technical agencies and CSO/Private Sector.

6. NACA will have three main committees for facilitating the implementation of BNAPS. The Programs Committee will review, assess, and recommend for projects and plans submitted to the TSC, technical steering committee. The Finance, Administration and Audit Committee will include staff of NACA’s Financial Management Unit. This committee will (i) review and recommend to NACA on expenditure estimates and budgeting activities for the project, (ii) ensure that management of financial resources are well coordinated at both the national and district levels, (iii) facilitate disbursements to individual NGOs based on specific tracking measures for follow-up purposes which will trigger the quarterly disbursements, (iv) provide a forum for private and direct communication between committee members and the external auditors, internal auditors, and senior staff, and (v) establish procedures to receive retain and treat complaints received by the PSC regarding accounting, internal accounting
controls, or audit matters and for the confidential, anonymous submissions by staff of concerns regarding questionable accounting or audit matters.

7. The Procurement Committee will primarily consist of members of NACA’s procurement team as well as selected district and national level representatives of the procurement teams of the implementing partners; in addition, it may be useful to also consider inclusion of representatives from civil society and private sector. This committee will (i) undertake procurement activities for activities implemented under the NACA component, (ii) support other implementing partners in the Ministries in carrying out procurement or undertake procurement for them as necessary, and (iii) review and verify that all procurement activities under the project have been undertaken in accordance with the agreed policies and procedures agreed with the World Bank.

8. The Public Sector Ministries will focus their activities on their behavioral change activities targeting their staff and clients (MLG will focus on community level clientele and OVCs/out of school youths, MLHA on Prisons staff and Prisoners, MOE on teachers and in-school youths, MYSC on ministerial staff and out of school youths, MWT on staff, mobile population and CSWs, and MOH on HIV+ patients on ARVs as well as on providing technical assistance as needed to the participating ministries). Ministerial work plans will be reviewed and approved by the PSC annually to ensure complementarities and synergies where available. To improve program management, implementers within the Ministries will be primarily responsible but will be able to access capacity building support for results based management, and monitoring and evaluation from NACA.

Programmatic/Technical:

9. BNAPS Project scope of activities will be agreed to by the PSC annually and reviewed mid-year. The specific CSO proposals and ministerial work-plans will be appraised and approved by the HIV-Technical Steering Committee at the National level and by the DAC’s office at the selected Project Districts. As mentioned above the PSC will decide on the thematic and geographical scope of activities for the Project as well as ensure complementarities between other development partners. The TSC will ensure the financial and technical viability of work-plans and proposals and design the M&E framework. The TSC will also agree with NACA on specific coordination mechanisms and procedures that will be designed to facilitate implementation of Project activities.

10. At the District level, Botswana has been very effective in decentralizing project implementation-with the District Multi-Sectoral AIDS Committees (DMSACs) playing an important role in the implementation of HIV/AIDS activities by coordinating public sector, CSOs, FBOs, and partner activities at the community level with technical and fiduciary support from their national level counterparts as and when needed. DACs are the primary units that coordinate and facilitate implementation of HIV/AIDS activities at the district level. Technical Coordination will be managed by the DAC’s office which will be fortified with TA as part of this Project. These activities will include (i) designing district plans based on inputs on implementation priorities of the target groups for the various stakeholders, and the public sector ministerial plans; (ii) facilitate implementation where necessary, primarily through technical reviews of the proposed activities, and implementation support to the implementation partners, where needed; (iii) review and approve CSO proposals below the 30,000BWP threshold; (iv) recommend disbursement of quarterly grants to the NGOs, and (v) monitor implementation progress.
**Fiduciary:**

**Financial Management:**

11. The project will be coordinated by NACA through six line ministries, CSOs and the private sector. NACA is a department in the Ministry of State President. It is headed by the National Coordinator who is responsible to the Permanent Secretary, Ministry of State President. NACA has a constituted council. It consists of 4 departments, which are Behavior Change Interactions and Communications; Program Planning; Monitoring and Evaluation; and Ministry Management. These departments, including the Finance and Accounts Units will be strengthened and their responsibilities will be more effectively defined to meet the challenges of the multi-level coordination demands of the project. This will also ensure clarity of roles at all levels of management. The project staff at NACA, line ministries and District Councils will be trained in World Bank financial management and disbursement procedures. Grant Guidelines and operational manual will be produced, and simple financial reporting forms designed for use by the implementing organizations to ensure understanding and accountability.

12. The project will hire 2 financial management specialists for a maximum period of 2 years at the program and project levels. Their responsibilities will include: production of financial management guidelines for donor funded project implementation; training of program and project staff in financial management, monitoring of utilization of funds and other responsibilities as will be provided in their “Terms of Reference”

13. NACA’s proposed financial management arrangements, as well as the arrangements at MFDP, which will have the responsibility of managing the loan funds and authorizing disbursements in form of finance warrants to NACA, were reviewed in accordance with the Financial Management Practices Manual dated November 3, 2005.

14. Project funds will be channeled through NACA. Ministerial and National level disbursements will be carried out directly by NACA, while district level allocations, based on approved proposals, will be disbursed by the Treasury of the District Council in the respective Project districts. disbursements to Districts will be quarterly. The first advance upon effectiveness will be for 6 months estimated expenditure, and thereafter on quarterly basis. This applies to CSOs/CBOs as well.

**Critical risks and possible controversial aspects:**

15. The following table identifies the key risks that the project management may face, and provides the measures to be taken to mitigate them:

<table>
<thead>
<tr>
<th>Risks</th>
<th>Risk Mitigation Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit of the project financial statements may be delayed beyond 6 months of the government financial year.</td>
<td>The project financial statements will be prepared and audited as a special fund and submitted to the Bank by 30th September each year.</td>
</tr>
<tr>
<td>Delay in the preparation of financial statements at the District Council level.</td>
<td>The external audit backlog at the District level will be cleared within the first six months of the project implementation, and the Auditor General will audit and submit audit reports by September 30 each year.</td>
</tr>
<tr>
<td>Delay in accounting for utilization of funds at the CSO and CBO levels.</td>
<td>Simplified accounting forms will be designed as part of the Operational manual with training on effective utilization.</td>
</tr>
</tbody>
</table>
16. **Loan conditions and covenants**

(a) **Effectiveness Condition**
Standard effectiveness conditions, in addition to the following: NACA has recruited the following technical specialists for the Project: (i) a management and implementation senior specialist; (ii) a financial management specialist; (iii) a procurement specialist; and (iv) a District-level grant officer in each of the following Districts: South East District, Kweneng East District, Francistown District, Selebi-Phikwe District, and Goodhope Sub-District, all with terms of reference, qualifications and experience satisfactory to the Bank.

(b) **Disbursement Condition**
No withdrawals shall be made with respect to the Civil Society/Private Sector Component of the Project until: (i) Government has furnished evidence to the Bank for its approval that the first 20 grants under this component have been made in accordance with the criteria, terms and conditions set forth or referred to in the Operational Manual; 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.

(c) **Covenants**

17. **Dated covenants:**

i) No later than three months after the Effective Date, the Borrower shall have ensured that NACA has recruited the following long-term senior technical specialists for the Project (in addition to those recruited prior to effectiveness): (i) a second financial management consultant; (ii) a second procurement consultant, each with terms of reference, qualifications and experience satisfactory to the Bank.

ii) The Borrower shall ensure that its Office of the Auditor General has cleared all of the audit backlogs: (i) no later than eight months after the Effective Date for Phase I Health Districts; and (ii) by inception of Phase II Health Districts, to the Bank’s satisfaction.

iii) No later than one year after the Effective Date, the Borrower shall have ensured that a detailed social analysis for the Project has been carried out, as satisfactory to the Bank.

iv) No later than six months after the Effective Date, the Borrower shall have ensured that all finance and accounting staff in the Public Sector Ministries and NACA necessary for Project implementation have been recruited, all with terms of reference, qualifications and experience satisfactory to the Bank.

18. **Un-dated covenants**

i) Within the context of the overall national program, hold a joint annual partner: (a) retrospective review of program and project progress; and (b) prospective review of program and project plans for the coming year.

ii) Hold a project mid-term review.

iii) Maintain the Project Steering Committee throughout project implementation.

iv) Quarterly financial reports be prepared and submitted to the Bank no later than 45 days from the end of each quarter.

v) Annual audit reports will be submitted to the Bank by September 30 each year.

19. **Procurement activities** will be coordinated by NACA at the national level. Botswana’s PPADB (Public Procurement and Asset Disposal Board) has a very comprehensive but tortuous process. Hence a waiver had been obtained to enable more time efficient procurement activities for HIV related goods. Based on this, it is envisaged that the majority of procurement activities will be coordinated nationally to maximize the efficiencies inherent in bulk procurement processes as well as for easier coordination.
20. **Strategy and Oversight:** Two high-level institutions (PSC and TSC), as mentioned earlier, will be charged with the strategic and oversight functions of the BNAPS Project.

**Procurement**

21. Procurement under the Project would be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004, revised October 2006; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 revised October 2006, and the provisions stipulated in the Legal Agreement. Bank standard bidding documents shall be used for procurement of goods under International Competitive Bidding and Bank standard Request for Proposal (RFP) shall be used for selection of large value consultants involving international consultants. For National Competitive Bidding (NCB), Government of Botswana standard bidding documents may be used subject to Bank's review and No Objection.

22. The particular provisions that would require review and No objection for procurement under the project include: (i) Foreign bidders shall be allowed to participate in National Competitive Bidding; (ii) Registration / classification of bidders may be used for establishing bidder qualification or preparing a list for use under price comparison procedure but not as criteria for bidding; (iii) use of preference 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) Price negotiations shall not be held with successful bidder for procurement of goods; and (vi) selection of consultants will be preceded by shortlist process in response to an expression of interest. Alternatively Bank's standard bidding documents may be used and adapted for National Competitive Bidding. The general descriptions of various items under different expenditure category are described below. For each contract to be financed by the Loan, the different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements, and timeframe would be agreed between the Borrower and the Bank in the Procurement Plan. The prior review and procurement method threshold indicated below are intended for the initial Procurement plan. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

23. Procurement activities under the Project will be carried out by NACA, line ministries of Education, Labour and Home Affairs, Local Government, Works and Transport, Youth, Sports and Culture and Health at central government level. At decentralized level, procurement activities will be undertaken by district councils and Civil Society organizations (CSO). NACA, line Ministries and District Councils have established Supplies Unit or Division which are responsible for procurement and stores function. The supplies units are managed by technician to middle professional staff. The staff in the Supplies Unit adequate experience in procurement through shopping procedures but have little experience in large value tendering of goods and selection of consultants. For large value goods contracts, the Supplies Unit is assisted by sectors specialists to prepare tender documents. Protracted delays are experienced in the adjudication of quotations and tenders above US$1,000 because of many committees that have to review the recommendations and these committees do not meet regularly.

24. At community level, procurement will be undertaken by CSO networks and grass root CSOs. CSO networks have adequate capacity to undertake procurement through shopping procedures ad recruitment of individual consultants and small value consultancies for firms. The capacity of grass root CSOs is considered weak in both project and fiduciary management of project activities.

25. Overall, the capacity of the implementing agencies to undertake procurement is considered AVERAGE and the risk is MODERATE. The main risks envisaged include: (i) uncompetitive procedures and provisions in the Act and bidding documents; (ii) lengthy and delayed approvals due to several approval thresholds and by several committees which do not meet regularly; (iii) staff not familiar
with procurement under World Bank procedures in general and selection and employment of consultants in particular; (iv) delays in start up activities because staff do not have experience in large value procurement and procurement under World Bank procedures; and (v) weak CSO capacity at grass root level.

26. To mitigate against these risks, the project will put in place the following measures: (i) request for waivers to streamline procurement adjudication process; (ii) apply exclusions to national Bidding documents to remove uncompetitive provisions. Alternatively adapt Bank bidding documents for NCB; (iii) Train staff in World Bank procurement procedures and selection of consultants; (iv) engage and maintain procurement specialists for first 2 years of the project; (v) engage Grant officers with prerequisite knowledge in fiduciary management to supplement the capacity of District Aids Coordinators; (vi) Train CSOs in procurement prior to disbursement of funds and require CSO networks to assist their affiliates in fiduciary management; and (vii) procurement documents for key start up activities to be prepared prior to effectiveness and PPADB to assist NACA, the principal implementing agency in preparing the documents.
Annex 7: Financial Management and Disbursement Arrangements  
BOTSWANA: Botswana National HIV/AIDS Prevention Support Project

Executive Summary

1. A financial management assessment of the National Aids Coordination Agency (NACA) was carried out in accordance with the World Bank-Financed Investment Operations Financial Management Practices Manual dated November 3, 2005. The objective of the assessment was to determine whether NACA has acceptable financial management arrangements, which will ensure that:

   (a) Proceeds of the loan are used for the purposes intended, in an efficient and economical way;
   (b) The proceeds are properly accounted for;
   (c) The periodic financial reports are accurate, reliable, and timely;
   (d) Arrangements exist for an independent audit of the sources and uses of the loan proceeds; and
   (e) The assets of the entity and the sub-implementing agencies are safeguarded.

2. The Bank’s policy on Financial Management (FM), OP/BP 10.02, requires the borrower and the project implementing agencies to maintain financial management systems, including budgeting, accounting, financial reporting, internal controls, funds flow arrangements, and auditing adequate to ensure that they can provide the Bank with accurate and timely information regarding project resources and expenditures. The FM systems are expected to be in place at the commencement of the project implementation.

3. NACA is the main implementing agency responsible for the coordination of the implementation activities of the implementing line ministries, the civil society organizations and the private sector. The project will use the Botswana country financial management system, assessed to have met the requirements of Bank’s OP/BP 10.02. There is however, the need to build capacity in NACA, the District Administration, and generally at the level of the civil society and private implementing organizations.

4. The overall risk rating for the project is moderate. Table 1 below shows the key financial management risks and mitigating measures against these risks, which NACA’s management may face in achieving the development objectives of the project.

Summary Project Description

5. The main objective of the project is to assist the Government of Botswana (GOB) in increasing the coverage, efficiency, and sustainability of targeted and evidence-based HIV/AIDS interventions by strengthening NACA’s institutional and coordination capacity and financing strategic and innovative HIV/AIDS-related prevention and mitigation activities.

6. The project activities for the first two years will focus on the eastern border of the country, which includes the highest prevalence health districts, specifically, the South East, Kweneng East, Francistown, Selebi-Phikwe districts and the Goodhope sub-district. These are the five health districts that will be involved in Phase I of the project (Years One and Two). It should be noted that all 24 health districts will be covered in the second phase of the project, beginning in the third year of the project life. The fiduciary assessment of the Phase II districts will be conducted as part of the project supervision using an appropriate sample during Year Two of the project. No project funds will be advanced to the Phase II districts until this assessment has been completed and the District financial management arrangements are acceptable to the Bank, as reflected in the Loan Agreement. Six line ministries will also benefit under the project over the first year, after which the specific ministries involved may vary. These ministries, which
are: i) Health; ii) Works and Transport; iii) Labour and Home Affairs; iv) Education; v) Local Government; and vi) Youth, Sports and Culture will focus on initiatives in line with the National Strategic Framework (NSF), which include: reduction of infection; provision of treatment care and support; strengthening of the management of the national response to HIV/AIDS; mitigation of the Psych-social and economic impact; and provision of a strengthened legal and ethical environment.

7. In addition, the project will make 45% of the loan funds available to Civil Society Organizations (CSOs) and the Private Sector. The project consists of three components: i) Support to NACA; ii) Support to Public Sector Ministries; and iii) Support to Civil Society Organizations and the Private Sector.

Country Issues

8. Botswana is a middle income country with a Country Policy and Institutional Assessment (CPIA) rating of 4.5 in Quality of Budgetary and Financial Management. It is one of the few Sub-Saharan African countries to have reached the upper middle income band. Botswana has sustained high economic growth over a number of decades. It has not taken loans from the Bank in the last two decades. As a result of the fact that no country level analytic work has been carried out by the Bank in the recent past, the financial management assessment did not report on the impact of the country level issues on the proposed project financial management systems. These issues would have been documented in the country analytic work, which include the: Public Expenditure Financial Accountability-Performance Measurement Framework (PEFA-PMF); Country Financial Management Accountability Assessment (CFAA) and others.

9. However, the Report on Observance of Standards and Codes- Accounting and Auditing (A & A ROSC) for Botswana was carried out in 2006. The ROSC highlighted that Botswana had made considerable efforts in aligning its accounting and auditing practices with internationally accepted standards and codes; corporate accounting and disclosure practices had improved considerably over the last 5 years; monitoring and enforcement of financial reporting requirements in the banking sector had contributed to improved transparency of the financial sector. The report also indicated some of the areas that needed to be strengthened including: legal mandate for corporate entities to follow the international financial reporting standards (IFRS) in the preparation of financial statements; inadequate technical capacities of the regulators of the national accounting profession; shortcomings in professional education and training. The World Bank in this respect, has approved an Institutional Development Fund grant of about $486,000 to implement the recommendations of the ROSC. This will assist the Botswana Institute of Accountants to strengthen its institutional capacity to function as a modern and effective professional accountancy body in line with the improved approaches recommended by the International Federation of Accountants and recent global developments in the regulatory framework of accounting and auditing.

<table>
<thead>
<tr>
<th>Risk</th>
<th>Risk Rating</th>
<th>Risk Mitigating Measure</th>
<th>Residual Risk</th>
<th>Conditions of Negotiation /Board/ Effectiveness (Yes/No)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inherent Risk</td>
<td>1. Use of the outdated Financial Instructions and Procedures and the Finance and Audit Act (1993)</td>
<td>Government is in the process of awarding a consultancy contract for the revision of the Finance and Audit Act. Finance and Accounting staff in the line ministries and departments, including NACA are trained on the Government Accounting</td>
<td>L</td>
<td>NO</td>
</tr>
</tbody>
</table>

Table 1: Risk Assessment and Mitigation
2. Audit of the project financial statements may be delayed beyond 6 months of the government financial year.

<table>
<thead>
<tr>
<th>Entity Level</th>
<th>Project Level</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited FM capacity in project financial management.</td>
<td>1. Communities may not have the capacity to implement subprojects.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. Procedures described in the project operational manual may not be followed properly by communities and grants may not be used for the purposes intended.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. Disbursement of funds through the DA with weak FM capacity and little knowledge in project</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The Finance and accounting units are staffed with qualified accounting personnel. Two Financial Management Specialists (FMSs) will be hired and retained for a maximum period of 2 years, to among other responsibilities, produce FM guidelines/procedures for the program as a whole, including Donor funded projects; establish resource mobilization and disbursement mechanisms; train at least 15 identified staff of NACA and the implementing line ministries in Donor funded project financial management and implementation; conduct 10 site visits on monthly basis. The duties of the FMSs will be detailed in their TORs.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Organization of training sessions by NACA Financial Management Specialists (FMS) to strengthen the basic accounting capacity at the CBO level.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>A Technical Assistant will be recruited for each DA to further strengthen their FM capacity.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bank supervision missions will include review of use of IBRD funds.</td>
<td></td>
</tr>
</tbody>
</table>

The project's financial statements will be prepared and audited as a special fund and submitted to the Bank by September 30 each year. This has been done for some donor funded projects in the past.

Disbursement of funds to the CSOs and communities will be through the District Councils, which have proven records of having successfully managed disbursement of donor funds.
<table>
<thead>
<tr>
<th>financial management.</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Control Risk</td>
<td></td>
</tr>
</tbody>
</table>

**Budgeting**

4. Weak budgeting capacity at the CBO level resulting in inability to successfully implement subprojects  

<table>
<thead>
<tr>
<th></th>
<th>M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgeting</td>
<td></td>
</tr>
<tr>
<td>capacity will be strengthened at NACA, DA and CSO levels to train the CBOs in basic bookkeeping. The Private Sector Network currently provides assistance to other CSOs and the CBOs.</td>
<td></td>
</tr>
</tbody>
</table>

**Accounting**

5. Delay in accounting for utilization of funds at the CSO and CBO levels.

<table>
<thead>
<tr>
<th></th>
<th>S</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting</td>
<td></td>
</tr>
<tr>
<td>Simplified accounting forms will be designed with training on effective utilization. These forms will form part of the Annexes to the Operational Manual.</td>
<td></td>
</tr>
</tbody>
</table>

**Internal Control**

6. Fixed assets register may not be maintained for the assets of the project.

<table>
<thead>
<tr>
<th></th>
<th>M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Control</td>
<td></td>
</tr>
<tr>
<td>GOB expenses assets in the year of purchase and fixed assets register is not maintained centrally but by individual spending ministries. The project will maintain a fixed assets register to record purchases and disposals of its assets.</td>
<td></td>
</tr>
</tbody>
</table>

**Funds Flow**

7. Funds may not reach the intended implementing organizations, especially at the community level.

<table>
<thead>
<tr>
<th></th>
<th>M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funds Flow</td>
<td></td>
</tr>
<tr>
<td>Use of the DA for disbursement purposes under the Global fund was reported unsatisfactory. Disbursement through the District Councils will be more effective, as they are familiar with donor funded project disbursement procedures. The District Aids Coordinator is not necessarily an accountant or has accounting background. The District Treasurer in the DC has accounting background with staff in the DC Accounting Unit.</td>
<td></td>
</tr>
</tbody>
</table>

**Financial Reporting**

8. Delay in the preparation of financial statements at the District Councils level.

<table>
<thead>
<tr>
<th></th>
<th>M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Reporting</td>
<td></td>
</tr>
<tr>
<td>Financial statements of the districts participating in the project will be prepared and audited before September 30 each year. The FSs for the districts are prepared on time, ready for annual audit by the Auditor General.</td>
<td></td>
</tr>
</tbody>
</table>

**Auditing**

9. Audit reports may not be issued on time.

<table>
<thead>
<tr>
<th></th>
<th>M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditing</td>
<td></td>
</tr>
<tr>
<td>Financial statements (FS) at the Central and Local Authority levels are audited by the Auditor General. The FS will be audited and audit reports issued by 30th September each year. The Finance and Audit Act allows 12</td>
<td></td>
</tr>
</tbody>
</table>
months for the Auditor General to submit the annual report. The project will be treated as a "special fund" for audit purposes.

| Overall FM Risk Rating | M | The overall FM risk is assessed as moderate. The inherent risks at the Country, Entity, and Project levels are mitigated by the use of the Country’s FM systems with which the accounting staff are familiar; timely preparation and submission of interim financial reports; provision of targeted technical assistance for identified skills gaps; training staff in world bank financial management and disbursement procedures; and subjecting the activities of the project to internal and independent external audit. | L |

Risk Rating – H (High Risk), S (Substantial Risk), M (Modest Risk), L (Low Risk) N (Negligible Risk)

Strength

10. The project’s finances will be disbursed through the government’s tried and tested financial management system. With oversight by the PSC, NACA council, periodic external audit physical verification, the finance, administration, and audit Committee, the Public Accounts Committee both at the Central and Local Government level, and the design of reporting forms for the CSO and CBO components, BNAPS will start from a position of relative strength.

Weakness

11. Due to the weak capacity in Donor funded project financial management, monitoring of financial reporting at NACA is not effective. The identified inadequate monitoring and reporting, poor design of guidelines for effective reporting and limited capacity at NACA are some of the major obstacles to the successful implementation of the Global Fund Round 2 project.

12. The following financial management action plan is recommended.

Table 2: Financial Management Action Plan

<table>
<thead>
<tr>
<th>Action</th>
<th>Responsible Entity</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hire 2 Financial Management Specialists for a maximum period of 2 years to among other responsibilities:</td>
<td>NACA</td>
<td>The first financial management specialist by project effectiveness and the second financial specialist no later than 3 months after project effectiveness.</td>
</tr>
<tr>
<td>- produce FM guidelines for Donor funded projects;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- establish resource mobilization and disbursement mechanisms;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- train at least 15 identified staff of NACA and the implementing line ministries in Donor funded project financial management and implementation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- conduct at least 10 site visits on a monthly basis.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agree the Unaudited Interim Financial Reports (IFRs) format</td>
<td>MFDP</td>
<td>Completed by Negotiations</td>
</tr>
<tr>
<td>-----------------------------------------------------------</td>
<td>------</td>
<td>---------------------------</td>
</tr>
<tr>
<td>Produce Grant Guidelines and Operational Manual</td>
<td>NACA</td>
<td>Completed</td>
</tr>
<tr>
<td>Replace the Finance, Accounting, staff transferred in some of the BNAPS implementing line ministries and NACA, to strength capacity of existing units</td>
<td>MFDP</td>
<td>No later than 6 months after the Effective date</td>
</tr>
<tr>
<td>Clear audit backlogs at the District Councils level</td>
<td>Office of the Auditor General</td>
<td>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.</td>
</tr>
<tr>
<td>Local Authority Public Accounts Committee to update its review of the participating districts audit reports to the end of FY07, and of all the District Councils within the second year of the project implementation.</td>
<td>Local Authority Public Accounts Committee</td>
<td>Within the first year of the Project implementation</td>
</tr>
</tbody>
</table>

### Implementing Entity

13. NACA will coordinate implementation of the project through six line ministries, Civil Society Organizations and the Private Sector. NACA is a department in the Ministry of State President. It is composed of 4 Departments (Behavior Change Interactions and Communications; Program Planning; Monitoring and Evaluation; and Ministry Management). The Finance and Accounts units are in the Ministry Management Department. NACA has total staff strength of 91, with 6 staff in the Finance and Accounts Units. Two of the Units’ (one in each Unit) staff transferred to other establishments are yet to be replaced by MFDP.

14. The entity is headed by the National Coordinator who is a Permanent Secretary and responsible to the Permanent Secretary to the President. NACA is familiar with the implementation of donor funded projects. There is however the need to build capacity at NACA for improved efficiency and effective project coordination. This will be addressed under BNAPS by establishing the Finance, Administration and Audit committee, designing reporting forms at all level, training of identified NACA staff and of the implementing ministries in donor funded project financial management and implementation, clear definition of roles and responsibilities at all the levels of management.

15. BNAPS monitoring and evaluation will be as provided in the Botswana’s National Monitoring and Evaluation Framework.

### Budgeting

16. The budgeting arrangements for the project will follow GOB’s budgeting system. Expected donor funds with firm commitments are included in the annual national budget. Each donor funded project is allocated a code. Budgets for HIV/AIDS related activities form part of NACA’s annual Budget. The
BNAPS loan will accordingly be provided for in NACA’s annual Budget over the life of the project. Budget discussions are held annually with individual ministries and departments. The Budget Review Committee submits the Budget to the Estimate Committee, and thereafter to the Cabinet. The Finance and Estimate (a committee of Parliamentarians) reviews the Budget before it is presented to Parliament in February each year. The Government’s financial year is April to March.

**Accounting**

**Central Government**

17. The Government Accounting and Budgeting System (GABS), a module of the “Oracle” is used for budgeting and accounting. It has been rolled out to all the Government ministries and departments, including NACA. The financial statements (FS) are generated by the system on a monthly basis. NACA will review and ensure accurate recording of its transactions on a monthly basis. Adjustment journals will be raised, as appropriate and submitted to the office of the Accountant General for posting.

18. The Finance Unit in NACA is headed by a Senior Finance Officer (SFO), acting as the Principal Finance Officer (PFO). The PFO was yet to be replaced. The SFO is a holder of a Masters degree in Accounting and Finance. She is assisted by an Assistant Finance Officer with a Bachelors degree in accounting. The Unit is responsible for issuance of letters of authority to spending units, including the ministries and other entities budgeted for under NACA. It also produces and reviews the entity’s monthly financial report.

19. The Accounting Unit is headed by an Assistant Accountant with accounting technician qualifications. The other 3 staff in the Unit hold Diploma in Accounts and Business Studies, and the Accounting Technician (foundation) qualifications. The Unit is responsible for recording transactions in GABS, and reconciling the general ledger.

20. Each ministry and parastatal has an accounting unit as well as a finance unit. Payment vouchers are prepared by spending line ministries and parastatals. The Finance and Accounts units verify and record in the system and thereafter forward the payment vouchers to the Accountant General for payment. The system and operations are the same in each ministry. From the assessment of the finance and accounting system in operation in the three ministries (MOH, MWT, MLG) visited, the financial management risk that the project may face by the implementation of Component 2 is moderate.

**Local Authorities**

21. The Districts on the other hand use the “Great Plains” accounting software. The financial statements are however prepared manually using excel spreadsheet, but on timely basis. The Districts have selected a committee of some of their Treasurers to work on the creation of a chart of accounts, which they believe will enable the system to produce the financial statements. The target date for completion of the exercise is December 2008. The GABS and the Districts accounting systems are not interfaced. The districts prepare their financial statements (FS) within the eighth-month period stipulated in the Finance and Audit Act. The audit as stipulated in the Act is supposed to be carried out by the Auditor General within four months of the preparation of the FS. Also, from record available in the office of the Auditor General, the districts maintain adequate accounting books and records. The bank reconciliation statements were up to date. Each local Authority has an Accounts Committee. The committee reviews the annual audited financial statements. The FM assessment noted however that some years audited financial statements had not been reviewed by the committee. This will be covered in the audit terms of reference, in addition to clearing of the accounting backlog. The FM risk rating of the
implementation of the project by the districts is moderate. There will however, be need to strengthen the staffing capacity of the districts when the remaining 19 projects become beneficiaries under the project.

22. During the project appraisal, it was noted that the annual audit of 3 of the districts participating in the first phase for FY06/07 was still outstanding. These districts are: Francistown; Kweneng; and the South East. For effective monitoring and audit of the financial statement of the project, the outstanding audit should be completed along with the FY 07/08 audit of the five districts during the first eight months of the project implementation.

23. A Local Authority (LA) is headed by a District Commissioner with the District Administration (DA) and District Council (DC) units. The DC is headed by the Council Secretary and the Council Treasurer is directly responsible to him. The District Aids Coordinator is in the DA arm of the Local authority establishment.

24. The International Public Sector Accounting Standards (IPSAS) form the basis of the preparation of the FS.

Internal Controls and Internal Auditing

25. Internal control comprises the whole system of control, financial or otherwise, established by the implementing agencies in order to achieve accountability at all levels; carry out the project activities in an orderly and efficient manner; ensure adherence to policies and procedures; safeguard the assets of the project; and secure the reliability and integrity of the accounting records and information. The key elements that ensure sound management and effective internal control systems include: (i) organizational structures, systems and procedures; (ii) segregation of functions to initiate, authorize, execute and record; (iii) physical control over assets; (iv) clear description of duties and responsibilities; (v) preparation of reconciliation statements; (vi) internal audit; (vii) integrity and performance of staff at all levels; and (viii) supervision by management.

26. Under BNAPS, the institutional structure will be aligned to be more efficient and effective in resource mobilization, training of project implementation entities as appropriate, establishment of financial guidelines, framework for budget allocation. There is segregation of FM duties. The financial management assessment did not record internal control issues that require special attention.

27. NACA’s internal audit unit is headed by a principal internal auditor and assisted by an audit clerk. The unit’s capacity will be strengthened to effectively cover review of the financial activities of the project by focusing on risks as well as systems improvements besides compliance.

Customs Duties and Taxes

28. The BNAPS project will be finance project taxes (other than exempted taxes), as per the proposed Country Financing Parameters for Botswana.

Assessment of Civil Society Network

29. The risk level of the fiduciary systems of three of the five GOB registered Civil Society Network organizations were assessed and found to be moderate. The three Network organizations that were assessed were: i) BONASO; ii) BONELA; and iii) BOCAIP. Each of these three network organizations has adequately staffed finance department, in terms of qualifications and number. Their financial statements are prepared timely and they operate financial management and supplies manual approved by their respective governing boards. Their individual annual budgets are reviewed and approved by their
respective boards. Each of the organizations maintains adequate accounting records. Their bank reconciliation statements were up to date as at the time of the appraisal. Two of these three network organizations were audited by PriceWaterhouseCoopers. All the civil society and private sector organizations are free to submit proposals under Component 3 in their respective capacities. BONASO has 160 affiliates. The organization has managed several donor funded projects, including Global Fund and ACHAP. BOCAIP, a faith based organization with eleven decentralized centers also has affiliates outside its eleven centers. It provides training services to government ministries in counseling with respect to HIV/AIDS. Each organization has established organizational structure. The risk of monitoring accountability by affiliates is greatly reduced by allowing each organization, including their affiliates to submit grant proposals in their respective capacities. Based on the risk assessment and review of the arrangement of the global HIV/AIDS Grant management, the risk rating for the project with respect to the implementation of the project by these organizations is moderate. It should be noted that all civil society networks, private sector organizations, and other registered non-governmental organizations are eligible to submit proposals under Project Component 3.

Flow of Funds and Disbursement Arrangements

30. The loan proceeds will be disbursed over a period of five years. Table 3 below provides the allocation of the loan proceeds into the agreed disbursement expenditure categories. BNAPS will use the Reimbursement method. Funds will flow from the Bank into the Government Remittance Account through GoB’s depository account with the Federal Reserve Bank, New York.

31. Disbursements to NACA, the line ministries and the Districts will follow the Government’s accounting and flow of funds procedures. The activities to be implemented by the line ministries, CSOs and the private sector will form part of NACA’s annual budget. NACA’s Project Steering Committee (PSC), already in existence, will approve the project annual workplan. Disbursements to the CSOs and private sector will flow from NACA through the Ministry of Local Government (MLG). MLG will issue sub-warrants to the benefiting District Councils.

32. Upon the effectiveness of the loan agreement, NACA will submit cash request (Project Memo) to MFDP for the estimated expenditure for the first six months of the project life based on the approved annual workplan. Subsequent requests will be on quarterly basis supported with invoices and receipts, using the GOB existing procedure, and must be within 20 days of the end of each quarter. MFDP will review the project Memo and verify the invoices before issuing finance warrant for the cash requests.

33. GOB, through MFDP will submit on quarterly basis, withdrawal applications supported by IFRs for reimbursement of eligible expenditures incurred and paid under the project. The Applications together with the IFRs will be submitted to the Bank within 45 days of the end of the quarter to which the reports relate.

Disbursement to the CSO and Private Sector

34. Based on the finance warrant, NACA will issue Letter of Authority to the Ministry of Local Government for disbursement of funds to the respective District Councils to meet the cost of the approved proposals submitted by these organizations. The authority to spend will be issued on quarterly basis. MLG will in turn issue sub-warrants to the District Councils. The District Aids Coordinator will monitor utilization of the Grant at the District level. Cheques for payment to CSOs and PSOs will be issued by the District Councils (Council Treasurers). District councils will use their existing bank accounts for the implementation of the project. MLG will however allocate an accounts code to the Project at the local authority level. The initial release of funds to each implementing entity will be for half of the estimated annual expenditure based on the annual approved work plan and the amount of the finance warrant.
Accountability.

35. Each sub-implementing entity or establishment will submit quarterly financial returns (using GOB’s procedures) to NACA within 15 days of the end of each quarter. To be eligible for quarterly funding each CSO or private sector will account for at least 75% of amounts received in the previous quarter. NACA will consolidate the financial returns and submit to MFDP with IFRs and Project Memo. within 20 days of the end of each quarter.

36. All supporting documents (invoices, payment vouchers, goods received notes etc.) will be retained by NACA and made available for review by periodic Bank supervision missions, internal and external auditors. The originals of these documents are however retained by the office of the Accountant General.

Table 3: Allocation of Loan Proceeds

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods and non-consultants' services</td>
<td>6,600,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants' services</td>
<td>7,400,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training</td>
<td>3,600,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Goods, Non-Consultants' Services and Consultants Services under Subproject Grants</td>
<td>22,300,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Operating Costs</td>
<td>8,100,000</td>
<td>100%</td>
</tr>
<tr>
<td>(6) Unallocated</td>
<td>2,000,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>50,000,000</td>
<td></td>
</tr>
</tbody>
</table>
1 – NACA submits request for quarterly release of funds (for six months as initial request)

2 - MFDP issues Finance Warrant to NACA

3 – NACA issues Letter of Authority to MoLG and the line ministries. MoLG issues sub warrants to District Councils for payments to implementing organizations.

4 – MFDP submits reimbursement application together with IFRs to the Bank. The Bank disburses funds into GoB’s account.

*Note: Lines with circular tips indicate information flows, whereas lines with arrow tips indicate financial flows.*
External Auditing

37. BNAPS financial statements will be audited annually by the Auditor General who is required by section 124 of the Constitution to audit the public accounts of Botswana and of all officers, courts and authorities of GOB. The audit will be in accordance with the International Organization of Supreme Audit Institutions (INTOSAI) auditing standards. The Auditor General will be required to: (i) express an opinion on the project financial statements; (ii) carry out a comprehensive review of the internal control procedures and provide a management report outlining any recommendations for their improvement. The audit report, management letter and NACA’s response to the letter will be submitted to the Bank not later than six months after the end of each fiscal year, September 30 each year. The District Councils are individually audited by the Auditor General. The audit terms of reference will include physical verification of the subprojects and Civil Society Organizations (CBOs) on a sample basis. This will argument internal audit visits given the independence of the external auditors. It is recommended that the Local Authority Public Accounts Committee should review the audit reports of the participating Districts to the end of FY07 within one year of the project implementation.

<table>
<thead>
<tr>
<th>Audit Report</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project specific financial statements</td>
<td>Within six months after the end of each fiscal year – by September 30 each year.</td>
</tr>
</tbody>
</table>

38. **Conditionality**

*(a)* **Negotiations Conditions**
The conditions identified as part of the Financial Management Assessment were met in advance of Negotiations and were: (i) agree Unaudited Interim Financial Report format; and (ii) produce the Operational Manual and Grant Guidelines.

*(b)* **Effectiveness Condition**
Standard effectiveness conditions, in addition to the following: NACA has recruited the following technical specialists for the Project: (i) a management and implementation senior specialist; (ii) a financial management specialist; (iii) a procurement specialist; and (iv) a District-level grant officer in each of the following Districts: South East District, Kweneng East District, Francistown District,Selebi-Phikwe District, and Goodhope Sub-District, all with terms of reference, qualifications and experience satisfactory to the Bank.

*(c)* **Disbursement Condition**
No withdrawals shall be made with respect to the Civil Society/Private Sector Component of the Project until: (i) Government has furnished evidence to the Bank for its approval that the first 20 grants under this component have been made in accordance with the criteria, terms and conditions set forth or referred to in the Operational Manual; 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.

*(d)* **Covenants**
Dated covenants:

i) No later than three months after the Effective Date, the Borrower shall have ensured that NACA has recruited the following long-term senior technical specialists for the Project (in addition to those recruited prior to effectiveness): (i) a second financial management consultant; (ii) a second procurement consultant, each with terms of reference, qualifications and experience satisfactory to the Bank.
ii) The Borrower shall ensure that its Office of the Auditor General has cleared all of the audit backlogs: (i) no later than eight months after the Effective Date for Phase I Health Districts; and (ii) by inception of Phase II Health Districts, to the Bank's satisfaction.

iii) No later than one year after the Effective Date, the Borrower shall have ensured that a detailed social analysis for the Project has been carried out, as satisfactory to the Bank.

iv) No later than six months after the Effective Date, the Borrower shall have ensured that all finance and accounting staff in the Public Sector Ministries and NACA necessary for Project implementation have been recruited, all with terms of reference, qualifications and experience satisfactory to the Bank.

Un-dated covenants:

i) Within the context of the overall national program, hold a joint annual partner: (a) retrospective review of program and project progress; and (b) prospective review of program and project plans for the coming year.

ii) Hold a project mid-term review.

iii) Maintain the Project Steering Committee throughout project implementation.

iv) Quarterly financial reports be prepared and submitted to the Bank no later than 45 days from the end of each quarter.

v) Annual audit reports will be submitted to the Bank by September 30 each year.

Supervision Plan

39. The project residual risk rating is "Low". However, two supervision missions will be conducted in the first year of implementation to ensure that the project's proposed FM arrangements are operating effectively given that the project would be the first Bank financed project after two decades. The Bank FMS will also:

- Review the quarterly IFRs as soon as they are submitted to the Bank.
- Review the annual audit reports and management letters with management response from the external auditors and follow-up on material accountability issues by engaging with the Task Team Leader, and/or the borrower.

Governance and Accountability

40. No issues of governance and accountability came to light during the assessment. The GOB Directorate of Corruption and Crime appears effective from the information gathered. The Directorate trains staff and also involves internal auditors in other establishments to conduct investigations. The principal internal auditor at NACA was so involved. To strengthen governance in the project, a Finance, Administration and Audit (FAA) Committee will be established. The committee will be responsible for oversight, governance, accountability and transparency at NACA. The Audit committee will develop procedures for receiving, retaining and treating complaints received by NACA council regarding accounting, internal controls and audit matters. The duties and responsibilities of the FAA committee and others are described in the Operational Manual.

Retroactive financing

41. During project appraisal, NACA has indicated its willingness to pre-finance a number of key activities. This potential for retroactive financing has been reflected in the legal documents. As per World Bank operations policy [OP 6.0, para.2(e)], retroactive financing is permitted under the following conditions: (a) the activities financed are included in the project description; (b) the payments are for items procured in accordance with applicable Bank procurement procedures; (c) such payments do not
exceed 20 percent of the loan amount; and (d) the payments were made by the borrower not more than 12 months before the expected date of Loan Agreement signing.

42. Following these guidelines, it was agreed at appraisal that the project loan would allow for retroactive financing of the consultancy services associated with Component 1 (technical and fiduciary consultancy services for NACA, including the recruitment of the consultants required to be in place by Project Effectiveness). This proposed retroactive financing would be quite modest in size (less than one percent of the loan amount) given that these activities would take place during the few months between project approval and effectiveness. The date after which payments may be made was agreed at appraisal, confirmed during negotiations, and recorded in the Loan Agreement which provides that payments may be made up to an amount of US$500,000 from July 1, 2008 onwards.
Annex 8: Procurement Arrangements
BOTSWANA: Botswana National HIV/AIDS Prevention Support Project

A. General

1. Procurement under the Project would be carried out in accordance with the World Bank's “Guidelines: Procurement under IBRD Loans and IDA Credits” dated May 2004, revised October 2006 (referred to herein as the Procurement Guidelines) and “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated May 2004 revised October 2006 (referred to herein as the Consultant Guidelines) and the provisions stipulated in the Legal Agreement. Bank’s Standard Bidding Documents (SDB) shall be used for procurement of goods under International Competitive Bidding and Bank’s Standard Request for Proposal (RFP) shall be used for selection of consultants. For National Competitive Bidding (NCB), Government of Botswana SDB which have been reviewed and generally found acceptable may be used.

2. The following provisions shall apply for use of GOB NCB bidding documents under this project: (i) foreign bidders shall be allowed to participate in NCB; (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) NCB bidding documents shall clearly specify bid evaluation and post qualification criteria; (viii) bidding period shall not be less than four weeks and bids shall be opened publicly; and (ix) contract awards shall be published. Alternatively Bank’s SDB may be used and adapted for NCB. The general descriptions of various items under different expenditure category are described below. For each contract to be financed by the Loan, the different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements, and timeframe would be agreed between the Borrower and the Bank in the Procurement Plan. The prior review and procurement method thresholds indicated below are intended for the initial Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

3. Procurement of Civil Works. No civil works are envisaged under the BNAPS Project.

4. Procurement of Goods. (Estimated to cost US$ 6.6 M Equivalent). Goods procured under this Project will include motor vehicles, portable cabins, medical equipment and ICT equipment. Goods estimated to cost US$ 250,000 equivalent or more per contract shall be procured under International Competitive Bidding (ICB) procurement method. Goods estimated to cost less than US$ 250,000 will be procured on the basis of NCB. Goods that are estimated to cost less than US$ 50,000 equivalent per contract may be procured through shopping procedures as set forth in the Procurement Guidelines and described above. Where practical, the goods to be purchased will be grouped and be procured in one contract. Common capital goods required by several implementing entities such as vehicles and ICT equipment will be consolidated and procured under one contract. Capital goods for the demand-driven component under Civil Society Response may be consolidated with other capital goods where practical. However to enhance efficiency in the implementation process, such goods may be procured separately for each grant recipients.

5. Direct contracting for goods: Direct contracting is contracting without competition (single source) and may be an appropriate method under the following circumstances:
An existing contract for goods, awarded in accordance with procedures acceptable to the Bank, may be extended for additional goods of a similar nature. The Bank shall be satisfied in such cases that no advantage could be obtained by further competition and that the prices on the extended contract are reasonable. Provisions for such an extension, if considered likely in advance, shall be included in the original contract.

Standardization of equipment or spare parts, to be compatible with existing equipment, may justify additional purchases from the original Supplier. For such purchases to be justified, the original equipment shall be suitable, the number of new items shall generally be less than the existing number, the price shall be reasonable, and the advantages of another make or source of equipment shall have been considered and rejected on grounds acceptable to the Bank.

The required equipment is proprietary and obtainable only from one source.

The Contractor responsible for a process design requires the purchase of critical items from a particular Supplier as a condition of a performance guarantee.

In exceptional cases, such as in response to natural disaster.

6. **Procurement of non-consulting services.** Non-consulting services are services that are not of intellectual or advisory in nature. Non-consulting services under this project will include distribution of stocks from central-level procurement to the districts, workshops logistics and internet services. The procurement of non-consulting services shall be as per provisions specified above for the procurement of goods. An example of such services would relate to the costs incurred for the distribution of medical supplies which were procured using non-project resources.

7. **Selection of Consultants (Estimated to cost US$ 7.4 M equivalent).** Consulting services under the project will include behavioural surveys, technical assistants in various fields, monitoring and evaluation studies and compliance verification monitoring. Except as detailed below, consulting services will be selected through competition among qualified short-listed firms based on Quality and Cost-Based Selection (QCBS). Consultants for financial audits and other repetitive services estimated to cost less than US$50,000 equivalent per contract may be selected through Least-Cost Selection (LCS) method. Consulting services by firms estimated to cost less than US$ 100,000 equivalent may be selected on the basis of Selection Based on the Consultant Qualifications (CQS). As appropriate, other selection methods such as Fixed Budget (FBS), Quality-Based Selection (QBS) may be used for selection of consulting firms. Individual consultants shall be selected on the basis of Individual Consultant Selection method (IC) as per Section V of the Consultant Guidelines.

8. **Single-Source Selection of Consultants (SSS):** Single-Source Selection may be appropriate only if it presents a clear advantage over competition: (a) for tasks that represent a natural continuation of previous work carried out by the firm, (b) in emergency cases, such as in response to disasters and for consulting services required during the period of time immediately following the emergency, (c) for very small assignments, or (d) when only one firm is qualified or has experience of exceptional worth for the assignment.

9. **Training (Estimated to cost US$ 3.6 M equivalent).** Training services estimated to cost US$ 100,000 equivalent or more shall be procured on the basis of QCBS or QBS as appropriate. Training services estimated to cost less than US$ 100,000 equivalent per contract may be procured through CQS method. When appropriate, training may also be procured on the basis of Direct Contracting subject to review and approval by the Bank. The project will formulate an annual training plan and budget which...
will be submitted to the Bank for its prior review and approval. The annual training plan will, inter alia, identify: (a) the training envisaged, (b) the justification for the training, how it will lead to effective performance and implementation of the project and or sector, (c) the personnel to be trained, (d) the selection methods of institutions or individuals conducting such training, (e) the institutions which will conduct training, if already selected; (f) the duration of proposed training, and (g) the cost estimate of the training. Report by the trainee upon completion of training would be mandatory.

10. **Short Lists of Consultants.** Short List of consultants for services estimated to cost less than US$ 100,000 equivalent per contract may be comprised entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

11. **Operating Costs (Estimated to cost US$ 8.1 M equivalent).** Operating costs will be procured using the Borrower’s administrative procedures and or the administrative procedures of the component implementing agency’s administrative procedures, which were reviewed and found acceptable to the Bank.

12. **Special Arrangements:** Ministry of Education (MoE) has an ongoing arrangement with Baylor Centre of Excellence on Paediatrics to monitor social behaviour and HIV Aids prevalence among children. Subject to satisfactory justification of the contract which shall include: nature of the contract, selection process undertaken prior to the project, advantages of continuing with the arrangement, uniqueness of the contract and justified cost breakdown of the proposed contract, the contract may be procured on single source selection. This case will be thoroughly reviewed by the Bank, based on the provisions for single source selection in the Consultant Guidelines, upon submission of request from the Government. If the single sourcing is found to be not justifiable, the services will be sought on the basis of open competition.

13. **Prior review by the Bank.** The Borrower shall seek World Bank prior review in accordance with Appendix 1 of both Procurement and Consultant Guidelines for contracts above the thresholds as agreed in the Procurement Plan. For purposes of the initial Procurement Plan, the Borrower shall seek Bank prior review for (i) all goods contract estimated to cost US$ 250,000 equivalent or more, (ii) all consultancy contracts with firms estimated to cost US$200,000 equivalent or more, (iii) all contracts with individual consultants estimated to cost US$ 50,000 equivalent or more, (iv) all direct contracting and single source selection estimated to cost US$ 1,000 equivalent and above, and (v) annual training plan. These prior review thresholds will be reviewed annually and any revisions based on reassessment of the implementing agencies capacity will be agreed with the Borrower in an updated Procurement Plan. All other contracts will be post reviewed during annual procurement post review missions and compliance verification monitoring.

14. **Procurement under Civil Society Response (CSO) Component (US$ 22.3 million).** Implementation of the Civil Society Response Component will require the engagement of CSOs in the implementation of the interventions. CSOs will be engaged based on detailed criteria provided in the Operations Manual for the Project. The institutional, procedural, and safeguard requirements of the engagement of CSOs as detailed in the Operations Manual include:

- **Institutional:** The institutional arrangements to administer the CSO component include:
  - Strengthened National Aids Coordinating Agency (NACA) through engagement of eight technical assistants in the areas of procurement, financial management, monitoring and evaluation and implementation
- Project Steering Committee (PSC) at NACA with multisectoral membership to ensure that call for proposals are in line with priority areas as described in the National Strategic Framework
- Technical subcommittee at NACA to review, assess and award proposals developed by CSOs exceeding threshold of US$ 5,000 equivalent
- Proposal coordinating office at NACA to provide administrative support, coordinate proposal submission, evaluation and award process
- Strengthened District Aids Coordinator (DAC) through the engagement of Grant Officers to communicate call for proposals with their districts, review proposals less than US$ 5,000 equivalent and submit quarterly reports to NACA
- CSO networks to facilitate proposal preparation process by their members and preparation of quarterly reports
- Program technical audit at NACA

**Procedural:** Detailed procedures have been outlined in the Operations Manual that include:
- Capacity assessment checklist for CSOs and annual CSO capacity assessment by geographical location and thematic areas
- Explicit eligibility and qualification requirements for CSOs applying for proposals
- Detailed form for proposal submission
- Call for proposal to be advertised in national media with a submission period of four weeks
- Explicit criteria on proposal evaluation and requirement for disclosure of award
- DAC reviews and approves proposals below US$ 5,000 equivalent whilst proposals above US$ 5,000 up to the ceiling of US$ 50,000 will be reviewed by NACA
- Clear business standards (response time) for proposal reviews and disbursement of funds

**Safeguards:** A number of safeguards have been built into the process as detailed in the Operations Manual to ensure transparency, fairness and economy including:
- Clear delineation of the roles and responsibilities of all stakeholders
- Strengthened monitoring and evaluation function at NACA
- Open invitation for proposals, pre-disclosed selection criteria, grant agreement forms, evaluation procedures and disclosure of award to the public
- Annual independent compliance verification
- Conflict of interest, fraud and corruption, and misprocurement provisions included in the Operations Manual

15. Goods and services under Civil Society Response component will be procured by Civil Society Organizations utilizing methods below with details as provided in the Operations Manual:

16. **Local Shopping for Goods or Services** – Under this method, CSO will solicit quotations from at least three qualified suppliers within the project area or district based on simplified quotation forms that include a description of the goods or materials, detailed specifications, delivery period and payment terms. All quotations shall be made in writing and signed but may be submitted by fax, post or electronic mail. As a general rule, a qualified supplier who offers goods or materials that meet the specifications at the lowest price shall be recommended for award of the contract. Local shopping is limited for goods and services estimated to cost less than US$ 1,000 per contract or order.
17. National Shopping for goods or services: Goods or services estimated to cost US$1,000 equivalent or more but less than US$50,000 may be procured using national shopping procedures. The CSO will obtain at least three quotations from qualified suppliers not necessarily restricted to the district. The request for quotation shall include a description of the goods or materials, detailed specifications, delivery period and payment terms. All quotations shall be made in writing and signed but may be submitted by fax, post or electronic mail. As a general rule, a qualified supplier who offers goods or materials that meet the specifications at the lowest price shall be recommended for award of the contract.

18. Direct Contracting by CSOs: CSOs may procure goods through direct contracting where (i) goods are proprietary in nature, (ii) as continuation of a previous contract awarded through a competitive process, (iii) where there is one supplier and the cost of obtaining quotation may not be cost effective as would be the case for remote districts such as Ghanzi, Kgalagadi, Ngamiland and Chobe. CSOs may procure goods or services through direct contracting estimated to cost US$200 equivalent or less.

19. Alternative procurement arrangement for CSOs: CSOs may procure simple off-the-shelf goods contained in their proposal and approved by NACA/DAC through annual contracts made by Councils with suppliers. The CSOs may use this method where (i) council procures using acceptable competitive process, (ii) the quantity of goods required by the CSO would not increase quantities by more than 20% what the council would procure on annual basis, and (iii) distances to markets where quotations may be obtained are long and would not justify use of quotations.

20. Procurement Plan: The Borrower, at appraisal, developed a Procurement Plan for project implementation, which provides the basis for the procurement and selection methods. The plan has been discussed in detail during appraisal and has been agreed between the Borrower and the Project Team on June 3, 2008. This plan will form the basis of procurement for the first 18 months. The plan will be available at NACA offices and also be available in the Project's database and in the Bank's external website. The Procurement Plan will be updated in agreement with the Bank annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

21. Assessment of the capacity of agencies to implement procurement: Procurement activities under the Project will be carried out by National Aids Coordinating Agency (NACA) and line ministries of Education, Labour and Home Affairs, Local Government and Transport, Youth, Sports and Culture and Health at central government level. At decentralized level, procurement activities will be undertaken by district councils, Civil Society networks (NGO networks) and grass root Civil Society Organizations (CSOs). Capacity of implementing agencies was assessed by a World Bank procurement team October 2007 and April 2008. District councils, Civil Society Networks and line ministries were assessed on sample basis. The results of the assessment and key findings are as follows:

(a) National Aids Coordinating Agency (NACA): NACA will be the principal implementing and coordinating agency for the project. NACA will undertake procurement of common capital equipment such as ICT Equipment and furniture for all implementing agencies. NACA has a Supplies Unit which is responsible for procurement of office supplies. The Unit is headed by a Principal Supplies Officer who holds a middle-management position and is qualified to diploma level. The overall staff strength of the unit is five officers. In addition the Program Managers, who have sufficient qualifications, support the procurement function to procure and implement contracts. NACA has established committees and procedures to undertake procurement. NACA has the experience in procurement in accordance with PPADB Act. Staff in NACA does not have adequate experience in procurement of large-value contracts and consultancies and are not
familiar with World Bank Procurement Procedures. The capacity of NACA to undertake procurement was considered AVERAGE.

(b) **Line Ministries:** Line ministries of Works and Transport, and Health were assessed. Ministries will responsible for procurement of goods and services for operational expenses and training workshops and recruitment of consultants.

- **Ministry of Works and Transport** has a Supplies Unit which is responsible for procurement of office supplies and logistics and coordinate requests from all other departments. The unit has a staff compliment of four, of which two are graduates with professional training in purchasing. Departments within the Ministry lead in the procurement of consultancy services and procurement of large-value contracts. The departments have well qualified staff with experience in procurement of large-value contracts. The Ministry through its Central Transport Organization (CTO) is also responsible for procurement of vehicles for all Government organizations. The CTO was assessed and was found to have adequate capacity. Overall the capacity of the Ministry to undertake procurement was **HIGH**.

- **Ministry of Health** The Ministry does not have a Supplies Unit but has a Ministerial Tender Committee with an established qualified secretary who is a pharmacist with procurement training and experience. The Supplies officers are embedded with the departments and are qualified to school-certificate level. Procurement is therefore undertaken within departments but procurement above departmental thresholds is referred to the Ministerial Tender Committee. The secretary of the Ministerial Tender Committee reviews procurement documents and prepares recommendations for award for Tender Committee consideration. The Ministry is supported by PPADB with a Technical Advisor under the devolvement of procurement function by PPADB. The organization of the procurement function in the Ministry of Health is weak with over reliance on the secretary to the Ministerial Tender Committee. The appraisal team recommended the establishment of a Supplies/Procurement Unit within the Ministry. This recommendation was also made by the Technical Assistance working with the Ministry. The capacity of the Ministry was considered **LOW**.

(c) **District Councils:** Typical district in Botswana comprise of several scattered villages with one of the larger villages as administrative centre. The physical sizes of the districts vary but in general cover large areas spanning from 100 km to over 500 km across. The capacity of the councils also varies with councils near the capital, Gaborone being better staffed than those remote from the capital. Procurement under the councils is governed by the “Supplies and Stores Regulations and procedures under Local Authorities in Botswana” and related circulars. Under the project very little procurement is envisaged to be undertaken under the councils. Such procurement may relate to recruitment of individual consultants and procurement of office supplies. However the District Councils through the Office of District Aids Coordinator will review proposals for funding from grass root CSOs, review expenses justification reports from grassroots CSOs and provide advisory services to CSOs. Two sample districts of South East and Kgalagadi were assessed on sample basis:

- **South East** district has a Supplies Unit headed by a Principal Supplies Officer who is qualified to diploma level and reports to the Council Treasurer. The staff strength of the unit was four, with two of them being clerks. The Supplies Unit undertakes procurement of office supplies and does not have experience in tendering. The capacity of the district to undertake procurement under the project was considered adequate. However the main risks associated
with procurement at district council are delays in approval processes which has several layers and could take up to 2 months for quotations of less than US$ 5,000. The District has a District Aids Coordinator who is a retired nurse. The DAC does not have prerequisite skills in review of proposals and experience to supervise CSOs in fiduciary and project management. The capacity of the DAC was therefore considered weak and would require strengthening. The capacity of the district council was considered AVERAGE.

- **Kgalagadi** district is 550 km from Gaborone. Kgalagadi is a phase II project district. It has a Supplies Unit which is currently staffed by clerks. The substantive posts in the unit are vacant. The post of the District Aids Coordinator was also vacant which should be filled prior to the initiation of activities in the district in phase II. The overall capacity of the district is LOW.

(d) **Civil Society Networks (CSN):** There are five civil society networks implementing HIV/AIDS activities in various thematic areas. The procurement requirements of the CSN will be determined through their approved proposals. Three CSN were assessed and these were BONASO, BONELA and BOCAIP.

- **BONASO** is a network of CSOs and has 160 affiliate members. It acts as coordinator and grants manager for its affiliates. BONASO is an established organization with a corporate structure and is audited annually. It has experience as grants manager under several donor funded projects that included Global Fund, Forum Swede and ACHAP, among others. The procurement function in BONASO is undertaken within the Finance Department which has adequate capacity and is assisted by program officers. The organization has a financial management and supplies procedures manual. The capacity of BONASO to undertake procurement was considered AVERAGE. The main risk emanates from the accountability of the grants disbursed to its affiliates.

- **BONELA** is a human rights advocacy organization and is both an organization and individual membership based. It also works outside its affiliated partners. BONELA is audited annually. Its procurement function is embedded within the financial management function and it has a financial management and supplies manual. The capacity of BONELA to undertake procurement was considered HIGH.

- **BOCAIP** is a faith-based organization with eleven decentralized centers. Its centers are affiliated to BONASO. It also has affiliates outside its eleven centers from support groups. BOCAIP has a corporate management structure, is audited annually and has a financial and supplies procedures manual. Its procurement function is embedded in the financial management function. BOCAIP also provides training services to government ministries in counseling services. Apart from undertaking procurement for its secretariat, BOCAIP also undertakes procurement for its centers and supervises the work of its centers which may obtain funding from BONASO directly. The capacity of BOCAIP to undertake procurement was considered HIGH.

(e) **Private Sector perception:** As part of the assessment, the Bank also assessed the perception of the private sector on public procurement in general and NACA in particular through meetings with suppliers and consultants. In general the perception was positive with some areas of improvement required in definition of scope of work for consultancy service, costing for services, publication of results, complaints handling systems and delays in payment.
Based on the above and taking into consideration (i) assessed country procurement environment, (ii) the magnitude of procurement to be undertaken by each of the agencies mentioned above, (iii) safeguards in place in NACA as discussed earlier, the overall capacity of the implementing agencies to undertake procurement is considered AVERAGE and the risk is AVERAGE.

The following risk mitigation measures are proposed for the Project:

<table>
<thead>
<tr>
<th>No</th>
<th>Description of risk</th>
<th>Mitigation measure</th>
<th>Responsible organization</th>
<th>Date of completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>NACA and line ministries do not have adequate capacity to undertake Bank’s procurement especially involving tendering procedures.</td>
<td>Engage two senior procurement specialists who will be responsible for actual procurement and capacity building to relevant implementing entities</td>
<td>NACA</td>
<td>One by Effectiveness; second within 3 months after effectiveness</td>
</tr>
<tr>
<td>2</td>
<td>Use of provisions in bidding documents for NCB that do not enhance competition.</td>
<td>Modify national standard bidding documents (for NCB purposes of the Project only) to fit the Bank’s requirements. Alternatively, adapt Bank standard bidding documents for NCB. For all other procurement, Bank’s standard bidding documents and Bank’s standard Request for proposals shall be used.</td>
<td>All implementing entities</td>
<td>Prior to carrying out any NCB procurement</td>
</tr>
<tr>
<td>3</td>
<td>Delays in procurement adjudication and approval process.</td>
<td>Obtain waiver from PPADB to have processes streamlined for project purposes.</td>
<td>NACA</td>
<td>PPADB has in principle agreed during appraisal</td>
</tr>
<tr>
<td>4</td>
<td>NACA and other key implementing agencies not familiar with Bank procurement procedures</td>
<td>Undertake procurement sensitization workshop for key agencies in Bank procedures and train key implementing agencies' staff</td>
<td>NACA/World Bank</td>
<td>September 30, 2008</td>
</tr>
<tr>
<td>5</td>
<td>Delays in start-up activities especially recruitment of technical assistants in procurement, financial management and Grants Officers for districts.</td>
<td>Terms of reference for stated TAs to be finalized by May 15, 2008 and advert placed by June 1, 2008.</td>
<td>NACA</td>
<td>June 1, 2008</td>
</tr>
<tr>
<td>6</td>
<td>Office of the District Aids Coordinator does not have adequate capacity to review proposals and assist CSO in procurement and expenditure justification.</td>
<td>Engage Grant Officer with prerequisite knowledge in fiduciary management.</td>
<td>NACA</td>
<td>June 1, 2008</td>
</tr>
<tr>
<td>7</td>
<td>Grass root CSOs do not have adequate capacity to undertake procurement, financial management and record-keeping.</td>
<td>Provide basic training for one week prior to disbursement of funds to grass root NGOs and require NGO networks to continuously support their affiliates.</td>
<td>NACA/DAC</td>
<td>Prior to disbursement of funds</td>
</tr>
<tr>
<td>8</td>
<td>Inadequate supervision by NGO networks, procurement not undertaken in accordance with agreed procedures in the OM.</td>
<td>Undertake independent compliance verification on sample basis annually and take appropriate actions on the findings.</td>
<td>NACA/Independent Agent</td>
<td>Annually</td>
</tr>
</tbody>
</table>
Implementation Readiness

23. The following actions have been initiated during appraisal in preparation for implementation of the procurement function and implementation:

- Draft Procurement Plan was reviewed and discussed with the Borrower and input provided for further refinement
- Bank provided guidance to NACA in Bank procurement procedures and sources of information
- Provided and discussed with Borrower start-up documents for procurement. Formats for terms of reference were also discussed and specific terms of reference for technical assistance in procurement were reviewed
- Discussions were held with Public Procurement and Asset Disposal Board (PPADB) and the Board in principle agreed assist NACA in preparation of procurement documents for start up activities subject to NACA requesting for the assistance
- PPADB have agreed to a streamlined internal approval process to facilitate implementation. PPADB further advised in principle that its review will not be required but in view of the weak capacity at NACA they would provide assistance to check the documents prior to submission to the Bank.

Frequency of Procurement Supervision

24. In addition to the prior review supervision, the capacity assessment of the Implementing Agencies has recommended supervision missions to visit the field twice a year in the first year and once a year thereafter to carry out post review of procurement actions. Annual compliance verification monitoring will also be carried out by independent consultants and would aim to:

- verify that the procurement and contracting procedures and processes followed for the projects were in accordance with the Loan Agreement
- verify technical compliance, physical completion and price competitiveness of each contract in the selected representative sample
- review and comment on contract administration and management issues as dealt with by participating agencies
- review capacity of participating agencies in handling procurement efficiently
- identify improvements in the procurement process in the light of any identified deficiencies.

General Procurement Notice (GPN) and Contract award Disclosure Requirements

25. The Borrower will prepare a General Procurement Notice based on the formats discussed during appraisal mission and the GPN will be advertised in dgMarket and UNDB online in addition to local papers of wide national circulation prior to project effectiveness. For each contract procured through ICB and large-value consultant assignments above the defined thresholds a specific procurement notice will be placed in dgMarket, UNDB Online and local papers of wide national circulation.

26. Contract awards done through ICB procurement method shall be consistent with Paragraph 2.60 of the Guidelines: Procurement under IBRD Loans and IDA Credits, May 2004 revised October 2006. Within two weeks of receiving the World Bank's "no objection" to the recommendation of contract award, the Borrower shall publish in UNDB online and in dgMarket the results identifying the bid and lot numbers and the following information:

- name of each bidder who submitted a bid
- bid prices as read out at bid opening
• name and evaluated prices of each bid that was evaluated
• name of bidders whose bids were rejected and the reasons for their rejection a
• name of the winning bidder, and the price it offered, as well as the duration and summary scope of the contract awarded.

27. **Contract Awards done through Direct Contracting** procurement method shall be consistent with Paragraph 3.7 of the *Guidelines: Procurement under IBRD Loans and IDA Credits, May 2004*. After the contract signature, the Borrower shall publish in UNDB online and in dgMarket the:

- name of the contractor
- price
- duration
- summary scope of the contract

28. This publication may be done quarterly and in the format of a summarized table covering the previous period.

29. **Contract Awards for Consultancies** shall be consistent with Paragraph 2.28 of the *Guidelines: Selection and Employment of Consultants by World Bank Borrowers, May 2004 revised October 2006*. After the award of contract, the borrower shall publish in UNDB online and in dgMarket the following information:

- names of all consultants who submitted proposals
- technical points assigned to each consultant
- evaluated prices of each consultant
- final point ranking of the consultants
- name of the winning consultant and the price, duration, and summary scope of the contract

30. The same information shall be sent to all consultants who have submitted proposals.

- name of the consultant to which the contract was awarded
- the price
- duration
- scope of the contract

31. This publication may be done quarterly and in the format of a summarized table covering the previous period.
Details of the Procurement Arrangements Involving International Competition

32. Goods and Non Consulting Services

(a) List of contract Packages which will be procured following ICB and Direct contracting:

<table>
<thead>
<tr>
<th>Ref. No.</th>
<th>Contract (Description)</th>
<th>Estimated Cost (in US$)</th>
<th>Procurement Method</th>
<th>P-Q</th>
<th>Domestic Preference (yes/no)</th>
<th>Review by Bank (Prior / Post)</th>
<th>Expected Bid-Opening Date</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>ICT Equipment</td>
<td>990,000</td>
<td>ICB</td>
<td>No</td>
<td>No</td>
<td>Prior</td>
<td>July 31</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Medical Equipment</td>
<td>770,000</td>
<td>ICB</td>
<td>No</td>
<td>No</td>
<td>Prior</td>
<td>August 31</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Vocational Equipment for Street Children</td>
<td>400,000</td>
<td>ICB</td>
<td>No</td>
<td>No</td>
<td>Prior</td>
<td>October 31</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Furniture</td>
<td>1,000,000</td>
<td>ICB</td>
<td>No</td>
<td>No</td>
<td>Prior</td>
<td>January 31, 2009</td>
<td>To be procured by lots</td>
</tr>
<tr>
<td>5</td>
<td>Furnished Porta-cabin</td>
<td>500,000</td>
<td>ICB</td>
<td>No</td>
<td>No</td>
<td>Prior</td>
<td>September 30</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Vehicles</td>
<td>2,200,000</td>
<td>ICB</td>
<td>No</td>
<td>No</td>
<td>Prior</td>
<td>August 15</td>
<td>To be procured by lots</td>
</tr>
</tbody>
</table>

(b) ICB Contracts estimated to cost above US$ 250,000 for goods per contract and direct contracting estimated to cost US$ 1,000 will be subject to prior review by the Bank.

33. Consulting Services

(a) List of Consulting Assignments with short-list of international firms.

<table>
<thead>
<tr>
<th>Ref. No.</th>
<th>Description of Assignment</th>
<th>Estimated Cost (in US$)</th>
<th>Selection Method</th>
<th>Review by Bank (Prior/post)</th>
<th>Expected Proposals Submission Date</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Integrate HIV/AIDS into curriculum</td>
<td>130,000</td>
<td>IC</td>
<td>Prior</td>
<td>September 30</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Behavioral Survey</td>
<td>700,000</td>
<td>SS/QCBS</td>
<td>Prior</td>
<td>Continuation</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Procurement Specialists (2)</td>
<td>240,000</td>
<td>IC</td>
<td>Prior</td>
<td>June 30</td>
<td>Cost estimated on per annum</td>
</tr>
<tr>
<td>4</td>
<td>Financial Management (2)</td>
<td>240,000</td>
<td>IC</td>
<td>Prior</td>
<td>June 30</td>
<td>Cost estimated on per annum</td>
</tr>
<tr>
<td>5</td>
<td>Monitoring &amp; Evaluation Specialist (1)</td>
<td>120,000</td>
<td>IC</td>
<td>Prior</td>
<td>June 30</td>
<td>Cost estimated on per annum</td>
</tr>
<tr>
<td>6</td>
<td>Capacity Bldg Specialist (1)</td>
<td>120,000</td>
<td>IC</td>
<td>Prior</td>
<td>June 30</td>
<td>Cost estimated on per annum</td>
</tr>
<tr>
<td>7</td>
<td>Implementation Specialist</td>
<td>120,000</td>
<td>IC</td>
<td>Prior</td>
<td>June 30</td>
<td>Cost estimated on per annum</td>
</tr>
<tr>
<td>8</td>
<td>Strategy/Partnership Advisor</td>
<td>120,000</td>
<td>IC</td>
<td>Prior</td>
<td>June 30</td>
<td>Cost estimated on per annum</td>
</tr>
</tbody>
</table>

(b) Consultancy services for firms estimated to cost above US$ 200,000 per contract and for individual consultants to cost above US$ 50,000 and Single Source selection of consultants (firms
or individuals) for assignments estimated to cost above US$ 1,000 will be subject to prior review by the Bank. All other contracts will be subject to post review.

(c) **Short lists composed entirely of national consultants:** Short lists of consultants for services estimated to cost less than US$ 100,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.
Annex 9: Economic and Financial Analysis

BOTSWANA: Botswana National HIV/AIDS Prevention Support Project

1. Annex 9 summarizes the key findings of the full-blown economic sector work, "The Financing and Delivery of HIV/AIDS Prevention, Treatment, and Social Support Services in Botswana," which underpinned the preparation of the Botswana HIV/AIDS Project. This analysis reviewed 119 studies, of which 62 are Botswana-specific documents, 7 documents pertained to southern Africa, 14 documents pertained to sub-Saharan Africa, and 36 others were of global application. In addition, interviews were held with 57 officials, specialists and donor representatives, and a few site visits were made. The reference list is in the original paper.

2. This Annex underlines key messages that capture the major economic issues on HIV/AIDS financing and service delivery in Botswana: (a) The financing gap for HIV/AIDS response will increase; (b) Allocative and technical efficiency in service delivery should be improved to save resources and reduce the fiscal burden; (c) A stronger focus on prevention among uninfected and infected individuals, combined with improved ART adherence, is necessary to contain the epidemic. The issue of "disinhibition behavior" in both testing and treatment needs to be addressed more seriously; (d) As the HIV/AIDS epidemic matures, the need for social assistance will increase, necessitating better targeting and administration of these programs; (e) Aid utilization and absorptive capacity at both central and peripheral levels, including civil society organizations, must be increased to make the response truly national in scope, and to make a real dent on prevention through local efforts; and (f) Macroeconomic risks of a much-larger funding for HIV/AIDS must be identified and risk-mitigating measures put in place.

A. Narrow the Financing Gap for HIV/AIDS Response

3. Actual HIV/AIDS spending and forecasts of available resources are increasing, but still fall short of the estimated required resources - The recently completed National AIDS Spending Account (NASA) exercise for 2003/04 up to 2005/06 shows that actual spending over the past three years was a little more than half of the estimated resource requirements (Figure 1). Forecasts of available resources over the medium-term show that although there is a consistent uptrend, these "commitments" will continue to fall short of about half of the requirements as defined in the National Strategic Framework (NSF). The financing gap is estimated to reach US$340 million in 2007/08 and US$317 million the following fiscal year. (Even if required spending is reduced by 15 percent, as some claim it is "over-costed" by that magnitude, this would only reduce the gap to US$245 million in 2007/08, a considerable amount.) Actual HIV/AIDS spending for the period 2003/04-2005/06 already represent 2-3 percent of GDP. If the NSF were fully funded, it would represent about 5 percent of GDP, a major spending program indeed.
4. *The official estimate of the required resources as reflected in the NSF need to be updated* - Some informants view the NSF as "over-costed". While this study did not analyze the costing basis of the NSF - much of the documentation is gone, except the few provided by C. Sharp (2007) - more than four years have passed since these cost estimates were made, and there have been dramatic changes in prices especially of drugs. New epidemiological forecasts of prevalence and its changing nature are also available. Moreover, new challenges have emerged that could inflate costs, e.g., the persistence of concurrent sexual relationships and the broader social interventions needed to address this problem, "disinhibition" behavior of patients testing HIV-negative, "disinhibition" behavior of patients on ART, and the prospect of drug resistance. If a new costing exercise would be undertaken, it should build scenarios that take account of these realities, as well as new technologies (e.g., use of generic ARVs) and practices (e.g., male circumcision) that could be cost-saving.

5. **GOB needs to create fiscal space for the scaled-up HIV/AIDS spending** - This could be done in the following ways, or a combination of them:

- Improve revenue effort - Estimates of revenue effort worldwide conducted by the World Bank's Poverty Reduction and Economic Management (PREM, 2006) group suggests that for a typical country, an additional 4 percent of GDP could be raised through domestic revenue measures, part of which could be used to finance HIV/AIDS activities. However, an analysis over the long-term of Botswana's tax revenue as percent of GDP shows that the trend is declining (see Chapter VI). Moreover, the recent Investment Climate Assessment (ICA) report indicates that Botswana's corporate tax compliance rate is low - about 15 percent - and indeed the lowest among comparator ICA countries such as Malaysia, Namibia, South Africa, Swaziland, and Thailand with well over 30 percent (World Bank, 2007). Although the Botswana economy is expected to continue growing robustly, the declining tax revenue/GDP rate and low corporate tax compliance cast doubt on the easy assumption that fiscal space for HIV/AIDS spending in Botswana could be financed out of a more aggressive tax revenue effort: it would be feasible, but challenging.

- Improve expenditure efficiency - Public expenditure reviews (PER) worldwide have identified areas of rationalization that could release 3 percent of GDP in resources for budgetary reallocation (PREM, 2006), including for HIV/AIDS programs. A full-blown PER is needed to
identify these areas of rationalization in Botswana; in the absence of such PER, this study focused only on areas within the compass of HIV/AIDS spending that could be made more efficient. Squeezing government programs (e.g., orphan support) is difficult, especially if they reduce poverty, as shown in Chapter V. Reducing other forms of social assistance (e.g., Destitute Allowance, Community Home Based Care or CHBC program for HIV+ people) need to be adequately informed by a thorough analysis of undercoverage and leakage. Moreover, the provision of CHBC has implications on drug adherence, as discussed in Chapter V. Finally, while the budget for social assistance programs is indeed increasing in absolute terms - and the Destitute Allowance has problems of targeting - overall, the social assistance budget as percent of GDP is still modest compared to other countries. Indeed, significant amounts of these resources are "off-budget" (financed and/or provided by NGOs and CSOs). Improving expenditure efficiency in the delivery of HIV/AIDS services could potentially bring far more savings, and this is the focus of Chapter IV.

- Increase external grant aid - The PREM report (2006) also indicated that negotiations with development partners may elicit indications of an additional 3 percent of GDP in grant aid in a typical country. Botswana, however, is not typical in this regard, since net ODA as percent of GDP has dramatically declined over the years, as discussed in Chapter VIII. While Botswana has the second highest HIV/AIDS prevalence rate, the number of donors in this upper-middle-income country is extremely limited. The World Bank is currently working on a "buy-down" arrangement with a third-party donor to reduce the interest rate of the IBRD loan for HIV/AIDS that the GOB is contemplating to obtain.

- Obtain new borrowings - Botswana's good macroeconomic performance and fiscal management makes it highly qualified to borrow externally to fund HIV/AIDS programs. However, prudent macroeconomic and debt management suggests that a country's new borrowing should be limited to 2 percent of GDP (PREM, 2006). Recall that the HIV/AIDS National Strategic Framework, if fully funded, would account for 5 percent of GDP. If all expected resources flow into the country (ACHAP and BOTUSA/PEPFAR commitments, the World Bank Project, and others) and the GOB sticks to its HIV/AIDS budgetary commitments, these combined resources would account for about half (48 percent) of the NSF, meaning that the remaining half would be unfunded (equivalent roughly to 2.5 percent of GDP). Following the PREM "back-of-the-envelop" norm that only 2 percent of GDP should be funded by new borrowings, it is clear that even under the most optimistic scenario, the unfunded portion of the NSF could not be fully funded by new borrowings. Moreover, there are other sectors that also require external debt financing (e.g., energy, roads).

6. **Given the rather limited headroom for creating fiscal space for scaled up HIV/AIDS response, Botswana should focus on increasing program efficiency of HIV/AIDS and health services, and containing the infection to arrest the number of patients and reduce the fiscal burden of the disease** - Short of succeeding in these two crucial fronts, GOB may be forced to dip into the country's "diamond savings" (US$10 billion reserves) which the country has accumulated in over a generation.

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13 "Undercoverage" refers to people who should be receiving social assistance benefits but who currently do not while "leakage" refers to those who are indeed receiving such benefits but who should not. While much anecdotal evidence were shared orally for this report, the authors were unable to locate empirical (quantitative) evidence of undercoverage and leakage.
B. Improve Allocative and Technical Efficiency

7. Botswana's HIV/AIDS response suffers from problems of allocative efficiency - The Government's allocation to HIV/AIDS prevention is far below international norm. According to UNAIDS, sub-Saharan African countries need to spend 38 percent for care and treatment, 35 percent for prevention, and 22 percent for social risk mitigation and orphan support. In Botswana, the government budget share of prevention programs is small and stagnant (6-7 percent between 2003 and 2005, according to NASA figures). Moreover, Government has focused largely on treatment, and GOB's share to prevention spending actually declined from 58.2 percent in 2003 to 38.8 percent in 2005. Finally, prevention activities focusing on socially-sanctioned concurrent relationships as well as highly vulnerable groups (youth, mobile/transient workers, and women and men involved in transactional sex) have not received as much attention as they should have. Until the issue of concurrent sexual relations is addressed, the HIV infection cannot be expected to stabilize for these relations are deemed the "superhighway to HIV/AIDS".

8. Analysis of both HIV prevention and treatment programs strongly indicates that prevention activities are much more cost-effective than treatment activities - Table 1 shows the results of a typical cost-effectiveness analysis of various HIV/AIDS prevention and treatment interventions in sub-Saharan Africa. Though already dated, the orders of magnitude in cost-per-life-year-saved between the range of prevention versus treatment interventions show clearly the economic wisdom of investing in the former.

<table>
<thead>
<tr>
<th>Focus</th>
<th>Intervention</th>
<th>Cost Per Life-Year Saved (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prevention</td>
<td>Blood screening for HIV</td>
<td>3.35</td>
</tr>
<tr>
<td></td>
<td>Control and management of sexually transmitted infections for sex workers</td>
<td>3.95</td>
</tr>
<tr>
<td></td>
<td>Single-dose nevirapine for pregnant women (prevention of mother-to-child transmission of HIV or PMTCT)</td>
<td>11.24</td>
</tr>
<tr>
<td></td>
<td>Voluntary counseling and testing (VCT)</td>
<td>22.03</td>
</tr>
<tr>
<td></td>
<td>Mass treatment of sexually transmitted infections for the general population</td>
<td>22.32</td>
</tr>
<tr>
<td></td>
<td>Short-course antiretroviral treatment for pregnant women (AZT)</td>
<td>213.66</td>
</tr>
<tr>
<td>Treatment</td>
<td>Donated drugs</td>
<td>857.95</td>
</tr>
<tr>
<td></td>
<td>Proposed price for generic drugs</td>
<td>1,317.26</td>
</tr>
<tr>
<td></td>
<td>UNAIDS negotiated price</td>
<td>2,028.78</td>
</tr>
<tr>
<td></td>
<td>Full price in 2000</td>
<td>10,707.09</td>
</tr>
</tbody>
</table>

Source: Masaki, et al.

9. There is a need to understand better the HIV epidemic in Botswana (and southern Africa more broadly), and what factors are driving it - An increasing number of reviews (Epstein, 2007; Halperin, 2007; Wilson, 2007; Potts, et al. (n.d.)) have shown that the southern Africa HIV epidemic is different from those of East Africa, West Africa, Asia, and the rest of the world. While much of the epidemic in the rest of the world are either concentrated (West Africa), or have witnessed declining prevalence (e.g., Thailand, East Africa), the southern African epidemic is generalized, i.e., prevalence remains high. According to these reviews, HIV prevalence is so much higher in the hyper-epidemics of southern Africa,

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14 By the mid-2000s, the annual average cost of treatment per patient in Botswana has declined to around US$690-760, as explained in this study. Even with these much lower figures, however, it is clear from the table that prevention activities are still far more cost-effective. Moatti (n.d.) speculates that as antiretroviral drug prices decline further, cost-effectiveness ratios of treatment could intersect those of prevention, but his hypothesis is based only on the cost of first-line drugs and he assumes away drug resistance and "disinhibition" behavior.
including Botswana, for three major reasons: multiple concurrent partnerships, lack of male circumcision, and related factors including highly mobile societies, high income inequality\textsuperscript{15}, and gender dynamics (Halperin, 2007). These elements combine to produce a "lethal cocktail" that may increase HIV transmission 30-fold (Wilson, 2007).

10. **Under-emphasized interventions need to be given greater prominence in prevention programs** - In a recent global review of HIV prevention approaches by Potts, Halperin, Walsh, Kirby, Klausner, Mareille, Swidler, Wamai, Kahn, Hearst, et al. (n.d.), the authors concluded that "The largest investments in HIV prevention for generalized epidemics are being made into those interventions where evidence for large-scale impact is increasingly uncertain. Resources need to be shifted to those approaches where the evidence of impact is greatest, namely male circumcision, family planning for HIV positive women, and decreasing concurrent partnerships".

- Broad social interventions, especially at the local level, are needed to change norms away from concurrent sexual partnerships. Successful practices, such as the "zero grazing" and partner reduction campaigns in East Africa in the 1990s, should be replicated in the country.

- Male circumcision has been shown in meta-analyses of global research to have a highly protective effect of 50-70 percent. It is highly acceptable among Botswana men, and is highly cost-effective (as will be shown in further discussions below).

- Family planning should be expanded, especially among HIV+ women who no longer want to get pregnant. FP should be integrated with existing HIV prevention and treatment programs.

11. **Heavy investments in voluntary and routine counseling and testing (VCT an RHT) need to be re-examined in light of the increasing doubts about their ability to actually prevent infection, unless combined with other interventions** - While counseling and testing does get HIV+ people into treatment, these interventions' role in actually averting infection is being increasingly doubted in international fora (Halperin, 2007). People testing negative do not necessarily change their behavior towards safe sex. Indeed, some of them engage in "disinhibition behavior," i.e., the negative result gives them a false sense of security and "license" to resume unsafe sexual practices, thus "wasting" the personal and government investments made in testing. Some have even argued that there are documented cases of countries and localities where the rates of HIV infection have declined without massive investments in counseling and testing. Unless counseling and testing is closely linked with interventions to change sexual behavior (e.g., reduction in the number of sexual partners), VCT and RHT will not realize their potential to avert HIV infections.

12. **The country's HIV/AIDS treatment response suffers from technical efficiency issues that are reflected in higher costs** - Botswana's annual per-patient cost of the first-line antiretroviral drugs is relatively high. De Korte, Mazonde and Darkoh (2004) estimated the per-patient cost in the early phase of the treatment program to be around US$690. On the other hand, using the spending figures from the NASA exercise and the actual number of patients on ART for the year, the average per patient cost is about US$760 per year. Back-of-the-envelop estimates made by Mapiki (2007) based on September 2006 patient and drug use data of PEPFAR show that the cost-per-patient of antiretroviral drugs alone is US$839. Compared to these three cost estimates, the Thai MOPH antiretroviral cost for first line drugs is about US$502, or about two-thirds of the Botswana cost. (Note, however, that Thailand's GPO produces a first-line fixed dose combination of AZT+3TC+NVP, which could explain the lower cost). Certain drug

\textsuperscript{15} All countries in southern Africa suffer from high Gini coefficients, indicating high income inequality. Botswana has succeeded in reducing poverty, although the poverty decline has been uneven across regions. Income inequality remains one of the highest in the world, however.
regimens in Nigeria, South Africa, and Zambia are also less expensive than Botswana's. Simple combination therapies now available have been reported to cost anywhere from US$200 to US$360 per patient per year for the poorest countries. More importantly, Botswana's annual per-patient projected cost of antiretrovirals and lab tests (calculated around 2005) show a disturbing increasing trend, which could be due to more patients moving on to more expensive second-line antiretroviral drugs, or diseconomies of scale of the ART roll-out, or both. More updated cost data are needed to analyze these disturbing trends, identify cost drivers, and to offer solutions.

13. A plethora of treatment measures could be adopted to enhance program efficiency - These include:

- Getting the best prices available for patent and "off-patent" (generic) drugs in the global market. Table 2 shows that Botswana can save up to US$77.67 million for the period July 2007 to March 2010 (or US$2.35 million savings per month) if it purchased all its ARVs as generics.

Table 2. Cost of Branded Versus Generic Drugs in Botswana, July 2007-March 2010 (US$ Million)

<table>
<thead>
<tr>
<th>Regimen</th>
<th>Non-generic</th>
<th>Generic</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult first line</td>
<td>123.97</td>
<td>55.66</td>
<td>68.31</td>
</tr>
<tr>
<td>Adult second line</td>
<td>8.16</td>
<td>6.82</td>
<td>1.34</td>
</tr>
<tr>
<td>Pediatric first line</td>
<td>17.01</td>
<td>9.30</td>
<td>7.71</td>
</tr>
<tr>
<td>Pediatric second line</td>
<td>1.31</td>
<td>0.99</td>
<td>0.32</td>
</tr>
<tr>
<td>Grand total</td>
<td>150.35</td>
<td>72.78</td>
<td>77.67</td>
</tr>
</tbody>
</table>

Source: Idris and Nyame, 2007

- Using fixed-dose drug (FDC) combinations of ARVs, since FDCs greatly simplifies drug dispensing and saves on logistics costs and doctor's time.

- Alternative options for antiretroviral drug and commodity security, e.g., international, regional or bilateral partnerships in joint drug procurement.

- Revising clinical guidelines and protocols, e.g., for new drug regimens, less expensive testing methods, laboratory support, and a realistic frequency of patient monitoring. For instance, current Botswana clinical guideline requires 5 viral load and 5 CD4 count tests per patient per year, while South Africa only requires 3 of each (Cleary, et al., 2007).

- Strengthening the supply chain management to reduce frequency of drug and supply stockouts, e.g., improving storage, ordering, and payment practices; and eliminating costly emergency procurements.

- Improving staff efficiency by using labor-saving practices to ease the human resource shortage, including task shifting, use of alternative manpower, use of paraprofessionals in treatment programs; and mobilizing traditional healers and communities to increase adherence among HIV+ patients under ART.

- Using electronic communication tools.

- Greater integration of services, e.g., PMTCT and maternal and child health; TB and HIV/AIDS; and family planning/sexual and reproductive health and HIV/PMTCT.

- Exploring the feasibility of earlier treatment initiation to increase cost-effectiveness.

- Providing better patient monitoring to enhance drug adherence and delay drug resistance.
14. **Botswana needs to more aggressively explore alternative financing and provision of antiretroviral treatment** - These include outsourcing, off-loading treatment to the private sector, and exploring alternative domestic financing mechanisms, e.g., Thailand and Mexico's use of their social security systems to cover ART costs of members.

15. **Complacency about prevention from the success of antiretroviral drug therapy rollout would make future costs of HIV/AIDS control rise substantially due to "disinhibition" behavior of patients** - "Disinhibition" is the false sense of security that patients on ART feel, leading them to go back to risky sexual behaviors. In Thailand, the authorities recognized this phenomenon early, which led them to more aggressively push for prevention among both infected and uninfected individuals. The cost-effectiveness of ART therapy in Thailand (US$ per life-year saved), with and without disinhibition behavior, is US$2,145 and US$6,243, respectively. Botswana should draw upon the Thai experience of a successful HIV prevention program which dramatically reduced the cost of treatment, yielding a benefit/cost ratio of US$43:US$1.

16. **Combining treatment with effective prevention could reduce the resource needs for treatment dramatically in the long term** - For sub-Saharan African countries, Salomon, et al (2005) showed that - assuming away the negative impact of drug resistance - a combined response of treatment and prevention minimizes the most number of new adult infections, averts the largest proportion of infections, results in the least number of adult deaths, and prevents the largest proportion of adult deaths. For the forecast period 2004 to 2020, Table 3 shows the effects of alternative intervention approaches: a baseline, a treatment-centered response, a prevention-centered response, and the best strategy - a combined response of treatment and prevention.

**Table 3. Total New Adult Infections and Deaths in Sub-Saharan Africa, 2004-2020 Under Different Intervention Scenarios**

<table>
<thead>
<tr>
<th>Interventions</th>
<th>Total New Adult Infections Millions</th>
<th>Infections Averted Compared to Baseline (percent)</th>
<th>Total Adult Deaths, Millions</th>
<th>Deaths Averted Compared to Baseline (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline</td>
<td>52.3</td>
<td>-</td>
<td>37.4</td>
<td>-</td>
</tr>
<tr>
<td>Treatment-centered (optimal effects)</td>
<td>49.2</td>
<td>6 percent</td>
<td>32.4</td>
<td>13 percent</td>
</tr>
<tr>
<td>Treatment-centered (mixed effects)</td>
<td>57.4</td>
<td>-10 percent</td>
<td>33.9</td>
<td>9 percent</td>
</tr>
<tr>
<td>Prevention-centered</td>
<td>33.2</td>
<td>36 percent</td>
<td>32.6</td>
<td>13 percent</td>
</tr>
<tr>
<td>Combined response (optimistic)</td>
<td>23.4</td>
<td>55 percent</td>
<td>27.3</td>
<td>27 percent</td>
</tr>
<tr>
<td>Combined response (pessimistic)</td>
<td>43.6</td>
<td>17 percent</td>
<td>31.6</td>
<td>16 percent</td>
</tr>
</tbody>
</table>

Table Source: Salomon, et al. (2005)

17. **Drug resistance would steeply increase the cost of treatment and, therefore, it must be delayed for as long as feasible through better patient drug adherence** - Unless new antiretroviral drugs are found, in the long-run, drug resistance will be generalized in Botswana (as elsewhere) and the epidemic will continue unabated unless the treatment program is combined with a vigorous and all-out prevention effort. The painful paradox is that the more extensive the treatment program, the more likely that drug resistance will emerge. And as drug resistance becomes more extensive, the cost of treating each patient on second-line drugs becomes prohibitive; in the case of Thailand, the cost of second line drugs is 13 times more than that of the first-line drugs.
18. **Disincentives to drug adherence in Botswana must be addressed** - In the early stages of the treatment program, Weiser, et al (2003) identified the factors contributing to drug adherence in the country as follows: treatment accessibility/transport, hunger, stigma, financial constraints, interruptions of drug supply, and toxicities. To delay drug resistance, patient adherence should be kept as high as possible, and any disincentive to drug adherence should be minimized. In the context of Botswana, the following issues are relevant: (a) assurance of a reliable supply of drugs and reagents; (b) review of the CD4 count as a criterion for patients on ART to access the food-basket benefit of CHBC; (c) social support system to improve patient adherence; (d) consideration of a transport allowance to poor patients in far-flung areas to encourage testing, continued antiretroviral use, and monitoring.

19. **The long-term fiscal impact of an evolving drug resistance and patient "disinhibition" behavior should be analyzed now** - Existing models on the macroeconomic impact of HIV/AIDS in Botswana as well as the NSF are incomplete in that they omit these two important factors. Therefore, the financial requirements of the HIV/AIDS response could be underestimated to the degree that these two critical factors are ignored or played down.

D. **Improve Efficiency While Expanding Coverage of Social Assistance Grants to OVCs and HIV+ People**

20. **GOB authorities should face the fact that the number of PLWHA is still likely to increase, given the trajectory of the epidemic** - Thus, the program covering orphans and vulnerable children (OVCs) and food basket program for patients on treatment (Community Home Based Care or CHBC) may need to expand. The OVC program has been shown to reduce overall poverty, so it needs to be protected. The CHBC program's current use of CD4 count as basis of a patient's continued receipt of a food basket may need to be revisited as it has counter-productive effect on drug adherence.

21. **Program efficiency across all social assistance programs should be improved** - These programs continue to suffer from weaknesses associated with targeting, undercoverage, and leakage. The Destitute Allowance seems to be particularly prone to abuse. The fragmented nature of social assistance (some are funded out of DSS, others through NACA, still others through "off-budget" arrangements, plus liberal food allowances in some ministries) inhibits comprehensive management and policy reform.

22. **Models from abroad exist that Botswana could draw upon to improve its social assistance programs** - Botswana could heed the approaches and principles of successful conditional cash transfer programs in Mexico, Brazil, Turkey, and other countries. These are comprehensive programs that have proved able to reduce poverty and graduate certain groups into productive employment.

E. **Increase Aid Utilization and Absorptive Capacity**

23. **While Botswana certainly needs additional resources to meet the challenge of HIV/AIDS, a bigger challenge is absorption and utilization of the resources that are already available** - Existing institutions, processes, and instruments appear to be unable to absorb larger amounts of resources. Ministries including MOH and MLG experience underspending of their budgets, while donors like PEPFAR/BOTUSA report large pipelines. The recent cancellation of Round II grant of the Global Fund is a painful reminder that absorptive capacity and fund utilization are major risks in Botswana. The return to the direct disbursement path from the Ministry of Finance to the line ministries, instead of through NACA, is expected to increase budget absorption, as this system worked quite well in the past. Further coordination among planning and finance units of different agencies is called for.

24. **A more ambitious performance-based local response program could quickly increase the utilization of resources while involving grassroots organizations** - Part of the weak prevention effort in
Botswana can be traced to the very limited involvement of civil society organizations and local
governments. Examples in Uganda, Zambia and Kenya show that HIV/AIDS can be reversed with a
stronger focus on local response, which also has the advantage of disbursing funds quickly. Performance-
based grants and contracts to civil society organizations, local government units, and private sector
players should gradually replace the time-intensive input-based system.

**F. Identify and Address Macroeconomic Risks**

25. *The potential adverse effects of scaled-up aid on macroeconomic stability, though small, should not be ignored* - Those risks can be mitigate by appropriate coordination between monetary, fiscal and
exchange rate policies in the country to ensure that the spending of aid inflows is consistent with the
exchange rate policy and monetary management of inflows.

26. *The mismatch between the maturity of foreign aid and domestic requirements for HIV/AIDS which are mostly recurrent in nature should be given more attention* - There is a mismatch between the
maturity of foreign aid resources available and domestic requirements, which are mostly recurrent in
nature. In addition, the size of fiscal burden associated with the disease is not yet resolved given the costs
of second line therapy. GOB could attempt to form partnerships and negotiate a more predictable and
stable flow of foreign resources with donors.

27. *HIV/AIDS spending could be made more effective with increased focus on expenditure tracking,
service performance, and evaluation* - There is an almost-universal opinion in Botswana that the level of
HIV/AIDS resources itself is not the primary problem (it is relatively high compared to other African
countries). What seems problematic is the allocation, use, and impact of these resources in terms of
service coverage. Part of the problem is that while much attention has been given to epidemiology and
roll-out of services especially on treatment, there has been less attention given to financial systems,
alternative ways of channeling resources, and expenditure tracking. Thus, while the country can
justifiably take pride in service expansion especially on treatment, care and support, few questions have
been raised until recently on the amount of resources incurred in achieving these. In some quarters,
"sustainability" and "effectiveness" continue to be taboo issues, under the mistaken notion that such
discussions would lead to withholding of treatment to HIV+ patients, rather than leading to the correct
direction of looking for ways to improve and expand services within a finite level of resources. To instill
greater interest in program effectiveness, several actions should be started.

- Public finance management, which is quite strong at the central/Ministry level, should be brought
down to local and peripheral levels where management and systems are weak.

- Expenditure tracking exercises such as the NASA and National Health Accounts (NHA) should be
institutionalized.

- Rigorous impact evaluation, cost-effectiveness analysis, benefit-incidence analysis, and
epidemiological and service modeling should be undertaken periodically to assess alternative
options on service delivery and financing that can inform the adoption of a new policy, or a
change in an old policy.

28. *The potential for real exchange rate appreciation should be recognized* - While the flow of
foreign aid is small in absolute and relative terms in Botswana, it does already have considerable
international reserves and strong currency position and therefore even a small, incremental increase in
inflows could have significant effect on the exchange rate. To mitigate those risks associated with an
increase in international capital inflows, the Botswana authorities should monitor closely the performance
of the export sector (in particular non-traditional exports), identify early warning signs of loss of
competitiveness and choose appropriate mitigating policies in case a persistent appreciation is identified, e.g., interventions in foreign exchange markets by the Bank of Botswana, and temporary taxes on capital inflows, among others.
Annex 10: Safeguard Policy Issues

BOTSWANA: Botswana National HIV/AIDS Prevention Support Project

1. The BNAPS Project has been classified as “Category C” for environmental screening purposes, which precludes the requirement for the World Bank to conduct a project-specific health sector waste management assessment. The Government’s national medical waste management plan has been included in the project files, as per agreement with the World Bank’s Africa Regional Safeguards unit.
Annex 11: Project Preparation and Supervision

BOTSWANA: Botswana National HIV/AIDS Prevention Support Project

<table>
<thead>
<tr>
<th>Event</th>
<th>Planned</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>PCN review</td>
<td>November 9, 2006</td>
<td>November 9, 2006</td>
</tr>
<tr>
<td>Initial PID to PIC</td>
<td>November 9, 2006</td>
<td>November 9, 2006</td>
</tr>
<tr>
<td>Initial ISDS to PIC</td>
<td>November 9, 2006</td>
<td>November 9, 2006</td>
</tr>
<tr>
<td>Appraisal</td>
<td>April 21-May 2, 2008</td>
<td>April 21-May 2, 2008</td>
</tr>
<tr>
<td>Appraisal</td>
<td>May 28-30, 2008</td>
<td>June 3-4, 2008</td>
</tr>
<tr>
<td>Board/RVP approval</td>
<td>July 10, 2008</td>
<td>October 10, 2008</td>
</tr>
<tr>
<td>Planned date of effectiveness</td>
<td>October 10, 2008</td>
<td></td>
</tr>
<tr>
<td>Planned date of mid-term review</td>
<td>February/March 2011</td>
<td></td>
</tr>
<tr>
<td>Planned closing date</td>
<td>September 30, 2013</td>
<td></td>
</tr>
</tbody>
</table>

Key institutions responsible for preparation of the project:
National AIDS Coordinating Agency
Ministry of Finance and Development Planning

The Bank staff and consultants who worked on the project included:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sheila Dutta</td>
<td>Task Team Leader/Senior Health Specialist</td>
<td>AFTH1</td>
</tr>
<tr>
<td>Peter Obaseki</td>
<td>Health Specialist (Consultant)</td>
<td>AFTH1</td>
</tr>
<tr>
<td>Oscar Picazo</td>
<td>Senior Health Economist</td>
<td>AFTH1</td>
</tr>
<tr>
<td>Christopher Walker</td>
<td>Lead Specialist &amp; Health Cluster Leader</td>
<td>AFTH1</td>
</tr>
<tr>
<td>Albertus Voetberg</td>
<td>Lead Health Specialist</td>
<td>AFTHV</td>
</tr>
<tr>
<td>Amie Batson</td>
<td>Senior Health Specialist</td>
<td>HDNHE</td>
</tr>
<tr>
<td>Bachir Souhala</td>
<td>Lead Social Development Specialist</td>
<td>MNSSD</td>
</tr>
<tr>
<td>Luigi de Felice</td>
<td>Implementation Specialist (Consultant)</td>
<td>AFTH1</td>
</tr>
<tr>
<td>Surendra Agarwal</td>
<td>Adviser</td>
<td>AFTQK</td>
</tr>
<tr>
<td>Tesfayealem Iyesus</td>
<td>Senior Procurement Specialist</td>
<td>AFTPC</td>
</tr>
<tr>
<td>Simon Chirwa</td>
<td>Procurement Specialist</td>
<td>AFTPC</td>
</tr>
<tr>
<td>Modupe Adebowale</td>
<td>Senior Financial Management Specialist</td>
<td>AFTFM</td>
</tr>
<tr>
<td>Dirk Reinermann</td>
<td>(Acting) Country Director</td>
<td>AFCS1</td>
</tr>
<tr>
<td>Ritva Reinikka</td>
<td>Sector Director</td>
<td>MNSED</td>
</tr>
<tr>
<td>Eugenia Marinova</td>
<td>Country Officer</td>
<td>AFCZA</td>
</tr>
<tr>
<td>Anna van der Wouden</td>
<td>Country Officer</td>
<td>AFCZA</td>
</tr>
<tr>
<td>Luz Meza-Batrina</td>
<td>Senior Counsel</td>
<td>LEGAF</td>
</tr>
<tr>
<td>Suzanne Morris</td>
<td>Senior Finance Officer</td>
<td>LOAFC</td>
</tr>
<tr>
<td>Keith Hansen</td>
<td>Sector Manager &amp; Peer Reviewer</td>
<td>LCSHH</td>
</tr>
<tr>
<td>Elizabeth Lule</td>
<td>Manager</td>
<td>AFTHV</td>
</tr>
<tr>
<td>Warren Waters</td>
<td>Regional Environmental &amp; Safeguards Coordinator</td>
<td>AFTQK</td>
</tr>
<tr>
<td>Mary Green</td>
<td>Program Assistant</td>
<td>AFTH1</td>
</tr>
<tr>
<td>Adriana Florez</td>
<td>Procurement Analyst</td>
<td>AFTPC</td>
</tr>
</tbody>
</table>

Bank funds expended to date on project preparation:
1. Bank resources: $278,000
2. Trust funds: $44,500
3. Total: $322,500

16 Other staff who participated in early stages of preparation included Ok Pannenborg, Jonathan Nyamukapa, Henri Aka, Donald Bundy, Stella Manda.
Estimated Approval and Supervision costs:

1. Remaining costs to approval: $0
2. Estimated annual supervision cost: $120,000

Implementation Support Plan

2. The proposed project will receive implementation support from a team based variously in Headquarters, Pretoria, Lilongwe and Nairobi. The supervision team will also include representatives and contributions from development partners involved in the fight against HIV/AIDS in Botswana and thereby also help to ensure the complementarity of partner interventions and generally strengthen partnerships. Importantly, the Government also wishes to be involved constructively in this area. While it is an important part of NACA’s and e.g. the Ministry of Finance’s roles to coordinate and supervise implementation, in addition they wish to contribute to and learn from supervision visits as much as possible (without of course compromising the independence of such visits). They would for example be prepared to finance a technical consultant to join the missions from time to time, who would focus on an aspect of special interest to the Government and their implementing partners.

3. With the Bank’s portfolio in Botswana likely to expand rapidly into such infrastructure areas as transport and power, the implementation of these projects will present additional supervision challenges especially through e.g. the need for HIV/AIDS prevention programs at construction sites. But these new projects also offer the opportunity for using their Bank staff, for example those working in fiduciary areas, to contribute to the supervision of this HIV/AIDS project.

4. The supervision of this project presents special challenges over and above those that would be expected with any Bank project. The project design took account of the likely supervision implications. But it is the nature of the disease and the epidemic, the gaps in the present program, and the areas where the Bank has a comparative advantage, that are much more influential in determining the overall design. The implications of the design for supervision were also assessed drawing on the Bank’s experience with similar projects in other countries. These special challenges include:

(a) no World Bank office in Botswana and therefore limitations to the task team’s ability to stay in touch with day-to-day project issues and to suggest solutions;
(b) the multi-sectoral multi-agency nature of the project;
(c) most of the implementation will require small inputs scattered over wide geographical areas and spread throughout the project period, especially for the civil society activities which comprise the bulk of the project; and
(d) particular attention in the early years to operational fiduciary aspects, where capacity presently is limited;

Conversely, on the positive side, factors include:

(a) a committed government, with its own resources, which is prepared to contribute to the technical aspects of supervision;
(b) the EU has agreed to provide support to project monitoring and evaluation, at least annually, through a consultant who will participate in Bank supervision missions;
(c) x partners with very substantial technical presences in Botswana, who have agreed to assist with e.g. project special studies, technical inputs and evaluations;
(d) the project will be instrumental in introducing better development partner coordination through, inter alia, starting annual joint program reviews; and
(e) with Botswana’s excellent probity record, inputs in the governance area will be very limited.
5. Technical support, over the first half of project implementation, is likely to be required in such areas as: (a) tuberculosis and HIV interactions; (b) the social aspects of HIV related interventions; (c) capacity building for civil society; (d) macro and micro planning related to HIV interventions; (e) increasing the effectiveness of workplace programs; and (f) the changing economic implications and sustainability of the HIV program as it evolves.

6. It is envisaged that, following usual Bank practice, there will be two supervision missions annually, timed to coincide with the budget cycle and the planned joint annual reviews. Independent ad hoc technical visits will be made from time-to-time depending on requirements and the Government’s requests. A core team has been established comprising: (a) task team leader; (b) HIV/AIDS specialist; (c) implementation specialist; (d) community response and social specialist; (e) monitoring and evaluation specialist (EU funded); (f) health economist; and (g) fiduciary – procurement and financial management – specialists. Non-core team members include: (a) a tuberculosis specialist; (b) a special surveys and evaluation expert; and (c) a communications and behavior change specialist.

7. For the reasons outlined above, supervision costs will be above average. Some of this will be offset by contributions from partners, and maybe the government. Nonetheless, the actual cost to the Bank is likely to remain above average. Given below are some indicative estimates of the expected supervision time and cost.

<table>
<thead>
<tr>
<th>Core Team</th>
<th>Total: 35 staff weeks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Task Team Leader (HQ)</td>
<td>10</td>
</tr>
<tr>
<td>HIV/AIDS Specialist (Regional)</td>
<td>4</td>
</tr>
<tr>
<td>Implementation Specialist (HQ)</td>
<td>4</td>
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<tr>
<td>Community Response and Social Specialist (Regional)</td>
<td>4</td>
</tr>
<tr>
<td>Monitoring and Evaluation Specialist (EU)</td>
<td>5</td>
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<tr>
<td>Health Economist (Regional)</td>
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<tr>
<td>Procurement Specialist (Regional)</td>
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<td>Financial Management Specialist (Regional)</td>
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<table>
<thead>
<tr>
<th>Other Technical Experts</th>
<th>Total: 14 staff weeks</th>
</tr>
</thead>
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<tr>
<td>Tuberculosis (Partners)</td>
<td>4</td>
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<tr>
<td>M&amp;E special surveys (HQ + Partners)</td>
<td>4</td>
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<tr>
<td>Communications and Behavior Change (Partners)</td>
<td>6</td>
</tr>
</tbody>
</table>

Estimated Annual Total Staff Weeks per Year, of which part will be financed by partners = 49.

Estimated Annual Supervision Cost to the Bank = $120,000.
Annex 12: IBRD Buy-Down Summary

BOTSWANA: Botswana National HIV/AIDS Prevention Support Project

1. The IBRD loan and IDA credit buy-down mechanisms were developed to increase the flexibility and concessionality of funding for projects where justified by global public good or cross-border results. A project with an IBRD buy-down is developed as a normal loan but including mechanisms for triggering the release of buy-down tranches. One possible mechanism is the elaboration of a separate set of indicators for the buy-down donor, another possibility is a jointly agreed set of indicators, the performance of which will inform the decision to release buy-down funds. The release of the donor funds are dependent on performance, as measured against the jointly agreed indicators and targets that are consistent with the project objectives, measurable and reflective of actions by the government within the project time frame. Botswana is a pathfinder on the innovative performance-based buy-down mechanism. It is providing useful learning to other IBRD countries in the region. The Government of Swaziland has already expressed interest in exploring a similar financing mechanism for an HIV/AIDS project.

Buy-down of Botswana National AIDS Prevention Support

2. The IBRD loan for HIV/AIDS prevention to Botswana will be for $50 million for 5 years. The Botswana Ministry of Finance and Development Planning has indicated that its preference is for an IBRD buy-down that reduces the effective interest rate\(^\text{17}\) down to 0 percent. The European Commission has agreed to support the buy-down of this project. The EC has already indicatively approved an additional EURO 14 million (USD 20 million\(^\text{18}\)) in its next 4 year Economic Development Framework (EDF10 for 2010-2014) to finance the buy-down of the IBRD HIV/AIDS loan.

3. An important structural distinction in this buy-down from ones in other countries is that the EC and Government of Botswana have agreed that the EC will provide the funds for the buy-down directly to the MFDP once performance targets are achieved. Because the performance payments are handled bilaterally between the Government of Botswana and the EC, they must be governed by a bilateral Agreement between the EC and Governments of Botswana. The Bank can only recommend a financing structure for the EC and Government of Botswana to adopt.

4. While the Bank loan is expected to be signed and made effective in the coming few months, the European Commission’s final official sign-off for the detailed funding plan for EDF10 will only occur in late 2009/early 2010. The probability of the EC funding is extremely high as the EDF10 envelop has already been agreed and the Botswana EC team is completely committed to supporting this buy-down. Nonetheless, the Government of Botswana will face a small risk about the financing of the buy-down due to the different financing timetables. To ensure transparency and minimize any potential misunderstandings, the Bank has recommended that the MFDP and EC prepare a separate Agreement that should clearly outline:

- Agreement on financial triggers identified in Bank project that will trigger the buy-down payments
- Agreement on performance amount committed by EC
- Agreement on structure of performance payments (timing)
- Agreement on grace period (if appropriate)
- Agreement on weighted payment/target achieved (if appropriate)
- Agreement on structure of independent performance assessment

\(^{17}\) The estimated interest rate is based on the forward LIBOR rate.

\(^{18}\) Based on the FX Forward rate EUR/USD (5 year)
Agreement on timing and process for final confirmation of EC financing

5. A separate agreement between the EC and Government of Botswana formally guaranteeing the buy-down funds will be finalized in late 2009/2010 when the EC’s EDF10 comes into effect.

Recommended structure of buy-down financing

6. As the project loan size will be $50 million, the EC funds of ~$20 million will have the financial impact of buying-down the interest rate effectively to 0 percent and also contributing roughly $3 million toward the principle repayment. The Bank suggests the EC performance payments be structured for release in two tranches of approximately $10 million each. The first tranche would be released upon achievement of interim targets at the end of year two of the project (early-2011), and the second linked to progress against the completion targets at the close of the project (2013). The mid-term review will generate the information based on which the EC will take its decision to release the first tranche. EC participation with an independent consultant in the mid-term review together with GoB, World Bank, and other partners will provide for the desired focus on the requirements of the EC with effective articulation and communication of results achieved to the Commission. The results of a supervision visit in year 4 of the project will generate information for the EC to decide on releasing the last tranche during the last year of the project. The EC’s participation in the World Bank supervision at a technical level will have the same advantages as mentioned under the mid-term review.

Verifying Performance targets

7. The Government of Botswana, the EC and the Bank have agreed to a joint mechanism for performance assessment based on which the EC will decide on the release of the buy-down funds. The specific subset of indicators, from the overall project monitoring and evaluation framework, which will trigger the release of EC funds will be finalized following bilateral discussions between the Government and the EC, with the World Bank providing technical inputs into this discussion, as appropriate. The Government of Botswana, the EC and the Bank would be responsible for preparing TORs and defining the methodology to assess the targets. In practical term the Bank with provide a draft and will invite comments and suggestions from other partners. There is potential for an additional assessment following project closing, if it is determined that a grace period is required.

If performance targets are not achieved

8. The Government of Botswana, EC and the Bank have agreed that performance payments are only disbursed if the project has performed satisfactorily according to the defined indicators and targets as jointly established. There should be no “surprises” in the mid-term review nor in the assessment for releasing the second tranche since problems and issues will be identified during annual supervision visits by the Bank and remedial action put in place.

9. While the performance targets will be tracked throughout project implementation, progress against the Completion Targets should be verified within 6 months of project closing.

The EC will commit in EURO’s so the final USD amount available for the buy-down will depend on USD/EURO exchange rates.
Performance Indicators and Targets for Buy-down

10. The Government of Botswana and the EC have agreed to utilize a subset of the Project’s overall M&E indicators for performance assessment. These specific subset of indicators will be agreed to bilaterally between the EC and the Government, with the Bank providing technical input into the finalization of the targets, as appropriate.

11. The “Results Framework” spells out the indicators and parameters, which will be used for monitoring progress. The World Bank will carry out supervisory visits annually in which problems will be spotted and remedial action taken, and support the conduct of a detailed Mid-Term Review. As far as the role of the EC as a “buy-down” partner is concerned, there will be a briefing and debriefing session with the EC Delegation whenever the World Bank carries out supervisory visits to the project. Issues will be presented, discussed and agreement reached as far as possible remedial actions to be taken. EC will be part of the mid-term review through an independent consultant to be hired according to EC procedures. As mentioned earlier, there should be no surprises in the mid-term review but problems and issues will inevitably emerge and have to be dealt with.

12. The Mid-Term review will constitute the occasion for generating the assessment based on which the EC will release the first tranche of disbursement. It should be mentioned that BAIS III results are expected to be available for the mid-term review. For the release of the second tranche of the “buy-down,” following the last year of the project, the results of BAIS IV, in all likelihood, will be available in addition to the assessment of the final annual supervision. The EC has indicated its support of recruiting an independent consultant to take part in the annual supervision mission prior to the EC decision to release the second tranche.
Annex 13: Summary of Social Analysis

BOTSWANA: Botswana National HIV/AIDS Prevention Support Project

1. Botswana has one of the smallest population sizes in the continent, and is one of the most sparsely populated with a majority of its population settled along the country's eastern corridor. The major economic driver is its diamond mining concerns. Cattle farming and high-end tourism are also classified as relatively significant commercial activities. Botswana faces the second most severe HIV/AIDS epidemic in the world, with infection rates highest among young people and particularly young women. The principal mode of epidemic transmission in Botswana is heterosexual. Key factors fueling the HIV/AIDS epidemic include stigma and denial, the vulnerability of women, the incidence of unprotected sex, persistent inequality and poverty, cultural attitudes regarding sexuality, and high levels of population mobility, including cross-border challenges.

2. The effects of the HIV/AIDS epidemic differs significantly along gender lines, with women and young girls being more significantly affected than their male counterparts in similar age groups. The 2005 HIV Sentinel Surveillance data estimates prevalence rates consistently ranging up to three times higher among young women (9.8) than young men (3.1) of the same age cohort (15-19). A clear pattern of gender disparity is also evident with women generally exhibiting higher HIV prevalence rates than men, particularly in the 15-39 year age cohort. Within these age groups, HIV prevalence remains at least 17 percentage points higher for women than for men. Conversely, there are more men who are HIV positive at older ages. This overall epidemiologic pattern is suggestive of substantial intergenerational HIV transmission. Economic, socio-cultural, and biological differences respectively account for the disproportionate gender vulnerability patterns seen in Botswana.

3. A major gap identified by many stakeholders, with respect to the previous national strategy, was the need to target interventions more effectively on vulnerable groups. Vulnerable groups in Botswana include, but are not limited to, adolescent women, serodiscordant couples, orphans, and other vulnerable children, migrant workers, and commercial sex workers. With a growing recognition of the need to focus on vulnerability, it has been agreed that all priority areas of the NSF would explicitly address the needs of groups that are especially vulnerable to infection, or whose quality of life or social and economic well being is most severely affected by the epidemic.

4. One of the key reasons that a broader, multi-partner, multi-level response to HIV/AIDS is required is the influence of socio-cultural norms and values on the spread of the disease. NACA-coordinated activities are expected to pursue this objective through behavior change communication campaigns, advocacy, counseling, consultation, and intensified enforcement of both customary and written laws, particularly with respect to gender-specific issues.

5. Gender: Socio-cultural and socio-economic norms in Botswana are predominant factors in the relatively high risk of HIV-infection women and young girls. Cultural norms accord men the rights to have multiple sexual partners. Conversely, economic pressures constrain women to have multiple sexual partners, each assuming responsibility for a specific economic need. Also, due to the pre-eminent importance of procreation in society, young women are put under pressure to have children. Stigma, social ostracism, and legal issues make HIV/AIDS-related interventions addressing commercial sex worker few and far between in Botswana, despite the obvious risks to women engaging in transactional sex.

6. Mobile communities: External and internal migration patterns are critical considerations in developing an effective national prevention strategy.
• **External Migration:** Due to Botswana’s economic growth, it has become a melting pot for economic migrants from neighboring countries (e.g. Zimbabwe, Lesotho, and Swaziland) as well as long distance truck drivers plying the commercial routes across these neighboring countries. This traffic predisposes men to engage in casual sex with local women and commercial sex workers at various stops along their routes.

• **Internal Migration:** Within the civil service and the mining industry, it is common for citizens to be posted to areas that are distant to their family households for employment reasons. Also it is normal in Botswana, for a family to maintain four homes; in the city, farm, cattle post, and in the village, which has significant implications for the social context of the epidemic in Botswana.

7. **Civil Society Organizations/Private Sector:** CSO/private sector organizations that address HIV/AIDS in Botswana suffer from weak coordination and inconsistent funding. These factors, among others, have contributed to the weak impact of the civil society sector in the response to HIV/AIDS, especially when compared to the same sector in less economically wealthy countries (e.g. Kenya and Uganda). Key issues include the “top-down” institutionalization of NGOs, drawing from the dual factors of strong governance and economic, and, in some cases, the artificial formation of these NGOs in response to the heavily government funded national response to HIV/AIDS. This is in stark contrasts to the ground-swell and community based mobilization of NGOs in Uganda.

**Project response to social issues:**

8. As previously noted, one of the key reasons that a broader, multi-partner, multi-level response to HIV/AIDS is required is the influence of socio-cultural norms and values on the spread of the disease. Through the BNAPS Project, concerted efforts would be made to promote socio-cultural norms, values, and beliefs that are consistent with the reduction of HIV transmission, and to protect the human rights of those infected or affected by the disease. The project would address these issues through supporting the GOB and the CSOs to increase its knowledge base of traditional beliefs, behaviors and circumstances that make target populations vulnerable (i.e. women, mobile populations), and refine BCC and interventions to be sensitive to cultural issues and ensure that messages and interventions are culturally relevant. A detailed social analysis is planned for Year One of the project.
Annex 14: Documents in the Project File

BOTSWANA: Botswana National HIV/AIDS Prevention Support Project

World Bank Documents

Project Concept Note
Minutes from Project Concept Note Review Meeting
Aide-Memoire from Identification Mission (September 2006)
Aide Memoires from Preparation Support Missions (June 2007, September 2007, December 2007)
Aide Memoire from Pre-Appraisal Mission (February 2008)
Minutes from Quality Enhancement Review (April 3, 2008)
Decision Meeting Minutes (April 17, 2008)
Aide-Memoire from Appraisal Mission (April 17-30, 2008)

Government Documents

Project Procurement Plan (May 2008)
Ministry of Health Waste Management Plan
NDP 10 Key Issues Paper
The National Strategy for Poverty Reduction
Annex 15: Statement of Loans and Credits

BOTSWANA: Botswana National HIV/AIDS Prevention Support Project

<table>
<thead>
<tr>
<th>Project ID</th>
<th>FY</th>
<th>Purpose</th>
<th>Original Amount in US$ Millions</th>
<th>Difference between expected and actual disbursements</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>IBRD</td>
<td>IDA</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Total:</td>
<td></td>
<td></td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

BOTSWANA
STATEMENT OF IFC's Held and Disbursed Portfolio
In Millions of US Dollars

<table>
<thead>
<tr>
<th>FY Approval</th>
<th>Company</th>
<th>IFC Committed</th>
<th>IFC Disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Loan</td>
<td>Equity</td>
</tr>
<tr>
<td>2001</td>
<td>AfrlnkCorp</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2003</td>
<td>Kalahari Diamond</td>
<td>0.00</td>
<td>1.75</td>
</tr>
<tr>
<td>2005</td>
<td>Letshego</td>
<td>0.00</td>
<td>3.97</td>
</tr>
<tr>
<td>Total portfolio:</td>
<td></td>
<td>0.00</td>
<td>5.72</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FY Approval</th>
<th>Company</th>
<th>Approvals Pending Commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Loan</td>
</tr>
<tr>
<td>Total pending commitment:</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>
ANNEX 16: Country at a Glance

**BOTSWANA: Botswana National HIV/AIDS Prevention Support Project**

### Key Economic Ratios and Long-Term Trends

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (US$ billions)</td>
<td>14.0</td>
<td>14.8</td>
<td>15.5</td>
<td>16.5</td>
<td>17.6</td>
</tr>
<tr>
<td>Gross capital formation/GDP</td>
<td>21.5</td>
<td>25.0</td>
<td>20.7</td>
<td>25.9</td>
<td>27.2</td>
</tr>
<tr>
<td>Exports of goods and services/GDP</td>
<td>68.3</td>
<td>64.2</td>
<td>52.8</td>
<td>55.2</td>
<td>57.0</td>
</tr>
<tr>
<td>Gross domestic savings/GDP</td>
<td>40.7</td>
<td>41.4</td>
<td>51.6</td>
<td>52.5</td>
<td>53.2</td>
</tr>
<tr>
<td>Gross national savings/GDP</td>
<td>36.3</td>
<td>38.9</td>
<td>51.3</td>
<td>52.8</td>
<td>54.0</td>
</tr>
<tr>
<td>Current account balance/GDP</td>
<td>7.8</td>
<td>12.3</td>
<td>14.4</td>
<td>13.3</td>
<td>13.6</td>
</tr>
<tr>
<td>Interest payments/GDP</td>
<td>2.9</td>
<td>18.0</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Total debt/GDP</td>
<td>29.2</td>
<td>0.0</td>
<td>4.5</td>
<td>4.5</td>
<td>4.5</td>
</tr>
<tr>
<td>Total debt service/exports</td>
<td>4.3</td>
<td>5.2</td>
<td>0.9</td>
<td>0.9</td>
<td>0.9</td>
</tr>
<tr>
<td>Present value of debt/GDP</td>
<td>7.0</td>
<td>5.9</td>
<td>3.8</td>
<td>3.8</td>
<td>3.8</td>
</tr>
<tr>
<td>Present value of debt/exports</td>
<td>7.0</td>
<td>5.9</td>
<td>3.8</td>
<td>3.8</td>
<td>3.8</td>
</tr>
</tbody>
</table>

### Growth of Capital and GDP (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>1986-87</th>
<th>1996-97</th>
<th>2005-06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>2.6</td>
<td>-1.5</td>
<td>-7.5</td>
</tr>
<tr>
<td>Industry</td>
<td>4.0</td>
<td>7.3</td>
<td>4.9</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>7.2</td>
<td>2.4</td>
<td>19.12</td>
</tr>
<tr>
<td>Services</td>
<td>113</td>
<td>6.0</td>
<td>3.8</td>
</tr>
<tr>
<td>Households final consumption expenditure</td>
<td>6.9</td>
<td>3.8</td>
<td>3.1</td>
</tr>
<tr>
<td>General govt final consumption expenditure</td>
<td>6.9</td>
<td>3.8</td>
<td>3.1</td>
</tr>
<tr>
<td>Imports of goods and services</td>
<td>3.6</td>
<td>2.4</td>
<td>-7.5</td>
</tr>
</tbody>
</table>

### Structure of the Economy (% of GDP)

<table>
<thead>
<tr>
<th>Year</th>
<th>1966</th>
<th>1986</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>5.7</td>
<td>5.7</td>
<td>5.7</td>
<td>5.7</td>
</tr>
<tr>
<td>Industry</td>
<td>62.3</td>
<td>53.1</td>
<td>53.6</td>
<td>53.1</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>6.6</td>
<td>5.4</td>
<td>3.7</td>
<td>3.8</td>
</tr>
<tr>
<td>Services</td>
<td>32.0</td>
<td>42.8</td>
<td>44.5</td>
<td>44.9</td>
</tr>
</tbody>
</table>

### Development Diamond

- **Life expectancy**
- **GNI per capita**
- **Gross primary enrollment**
- **Access to improved water source**

**Key Indicators: (Poverty below national poverty line)**

- GDP: 14.8
- GNI per capita: 15.5
- GNI (billion US$): 16.5
- Average annual growth: 2000-2006

This table was produced from the Development Economics LDB database.

*The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.*
BOTSWANA

PRICES and GOVERNMENT FINANCE

Domestic prices (% change)
- Consumer prices 11.0 11.1 6.6 16.4
- Implicit GDP deflator 14.1 14.3 11.4 15.5

Government finance (% of GDP, includes current grants)
- Current revenue 55.2 42.8 39.4 41.4
- Current budget balance 14.4 11.5 15.0 15.5
- Overall surplus/deficit 14.4 6.2 6.5 1.8

TRADE (US$ millions)

- Total exports (fob) 4,216 4,472 5,960 3,977
  - Diamonds 1,441 2,802 3,355
  - Copper and nickel 268 185 189
  - Manufactures 299 185 189
- Total imports (cif) 2,853 2,802 2,853
  - Food 111 426 566
  - Capital goods 521 923 983
- Export price index (2000=100) 8.5 6.2 6.0
- Import price index (2000=100) 8.5 6.2 6.0
- Terms of trade (2000=100) 8.5 6.2 6.0

BALANCE of PAYMENTS (US$ millions)

- Exports of goods and services 5,028 5,628 6,278 7,954
- Imports of goods and services 2,381 2,472 2,853 2,853
- Resource balance 2,647 3,156 3,425 5,101
- Net income 155 200 200 200
- Net current transfers 2,495 2,455 2,455 2,455
- Current account balance 2,966 2,853 2,853 2,853
- Change in net reserves -139 0 0 0

MEMO:
- Reserves including gold (US$ millions) 1,968 5,028 6,278 7,954
- Conversion rate (DEC, local/US$) 19 3.3 5.1 5.8

EXTERNAL DEBT and RESOURCE FLOWS (US$ millions)

- Total debt outstanding and disbursed 407 627 473
  - IBRD 168 69 2
  - IDA 140 59 7
- Total debt service 45 51 51
  - IBRD 20 27 1
  - IDA 22 24 1

Composition of net resource flows
- Official grants 62 30 34
- Official creditors 18 27 1
- Private creditors 0 -2
- Foreign direct investment (net inflows) 70 71 279
- Portfolio equity (net inflows) 0 29 62
- World Bank program
  - Commitments 26 0 0 3
  - Disbursements 6 0 0 0
  - Principal repayments 8 21 2 2
  - Net flows -1 -21 -2 -2
  - Interest payments 13 6 0 0
  - Net transfers -16 -28 -2 -2

Note: This table was produced from the Development Economics LDB database.
Map Section
This map was produced by the Map Design Unit of The World Bank. The boundaries, colors, denominations and any other information shown on this map do not imply, on the part of The World Bank Group, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries.

HIV PREVALENCE (%) CATEGORIES:

- < 25
- 25.1 - 30
- 30.1 - 35
- 35.1 - 40
- > 40.1


* The town councils of Francistown, Gaborone, Jwaneng, Lobatse, Orapa, Selebi-Pikwe and Sowa have status equal to Districts or Sub Districts.

**Note:** The image contains a map of Botswana with HIV prevalence data among pregnant women (15-49 years) per health district. The map highlights different prevalence categories and includes various geographical labels and boundaries.