

CONFORMED COPY

CREDIT NUMBER 3458 GH

Development Credit Agreement

(Ghana AIDS Response Project)

between

REPUBLIC OF GHANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 23, 2001

CREDIT NUMBER 3458-GH

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated November 23, 2001, between the REPUBLIC OF GHANA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

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

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

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

## General Conditions; Definitions

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

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

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

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

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

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

(a) "AIDS" means the Acquired Immune Deficiency Syndrome;

(b) "AIDS Response Fund" means the financing mechanism to be established by the Borrower for the funding of Sub-projects (as hereinafter defined) under Part A of the Project;

(c) "Beneficiary" means Community Based Organizations (as hereinafter defined), Non-Governmental Organizations (as hereinafter defined), trade and professional associations, associations of persons living with HIV/AIDS, Districts (as hereinafter defined), Eligible Ministries (as hereinafter defined), combinations of these groups, or any other relevant organization, as determined by GAC (as hereinafter defined), to which a Grant (as hereinafter defined) has been made or is proposed to be made;

(d) "Community Based Organization" (hereinafter "CBO") means any group of two or more individuals, that is recognized by a District Assembly (as hereinafter defined), and organizes itself for the purpose of submitting and implementing a Sub-project (as hereinafter defined), under Part A of the Project;

(e) "District Assembly" or "DA" mean a unit of government administration established as the planning authority for a District (as hereinafter defined), and assigned legislative and executive functions;

(f) "District AIDS Committee" or "DAC" mean a committee comprising representatives of the Borrower, non-governmental organizations, community groups and other stakeholders, established under the laws of the Borrower to coordinate the Borrower's response to AIDS at the District (as hereinafter defined) level;

(g) "District" means the basic administrative and territorial unit of the Borrower;

(h) "Eligible Categories" means Categories 1, 2, 3 and 4 set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(i) "Eligible Expenditures" means the expenditures for goods, services and grants (as hereinafter defined), referred to in Section 2.02 (a) of this Agreement and to be financed out of the proceeds of the Credit allocated from time to time to the Eligible Categories in accordance with the provisions of Schedule 1 to this Agreement;

(j) "Eligible Ministries" means the ministries of the Borrower, other than

the Ministry of Health;

(k) "Fiscal-Year" means the twelve-month period beginning January 1 and ending December 31 of each year;

(l) "Funding Cycle" means the period beginning with the call for proposals from potential Beneficiaries and ending after GAC (as hereinafter defined) has entered into Grant Agreements (as hereinafter defined) with Beneficiaries;

(m) "Ghana AIDS Commission" or "GAC" mean the commission established on September 23, 2000, pursuant to the Cabinet approval of May 31, 2000, comprising of high level representatives of selected ministries of the Borrower, representatives of non-governmental organizations, community groups and other stakeholders, responsible for the definition of broad priorities, selection of eligible Sub-projects (as hereinafter defined), and monitoring and evaluation of the performance of the Borrower's National AIDS Program;

(n) "GAC Secretariat" means the Secretariat referred to in paragraph 2 of Schedule 4 of this Agreement;

(o) "Grant" means a grant made or proposed to be made by the Borrower to a Beneficiary for the purpose of financing a Sub-project under Part A of the Project;

(p) "Grant Agreement" means the Agreement to be entered into between GAC and an eligible Beneficiary, in accordance with the eligibility criteria, terms, conditions and procedures set forth in paragraphs 3, 4 and 5 of Schedule 4 to this Agreement;

(q) "Groups A, B and C" means each of the financing windows referred to in paragraph 3 (a) of Schedule 4 to this Agreement;

(r) "HIV" means the Human Immuno-Deficiency Virus;

(s) "High Risk Groups" means specific population groups that present a greater risk of becoming infected with the AIDS virus due to their occupation, behavior or other relevant factors;

(t) "NGO" means a foreign or local non-governmental organization established, and/or registered, and operating under the laws of the Borrower;

(u) "Operational Manual" means the manual referred to in paragraph 1 of Schedule 4 to this Agreement setting out detailed procedures, policies, guidelines and timetables for the implementation of the Project;

(v) "PLWHAs" means people living with HIV/AIDS;

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

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

(y) "STDs" means Sexually Transmitted Diseases;

(z) "Strategic Framework" means the Strategic Framework for HIV/AIDS adopted by the Borrower on September 24, 2000, describing the Borrower's program of actions, objectives and policies designed to prevent and control the HIV/AIDS epidemic;

(aa) "Sub-project" means an activity or group of activities to be carried out under Part A of the Project which meets the eligibility criteria, terms and conditions set out in the Operational Manual and the provisions of paragraphs 3, 4 and 5 of Schedule 4 to this Agreement; and

(bb) "Technical Sub-Committee" means a sub-committee of technical experts to be established by GAC for the purpose of reviewing and selecting eligible Sub-projects, in accordance with paragraph 3 (c) of Schedule 4 to this Agreement.

## ARTICLE II

## The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to nineteen million six hundred thousand Special Drawing Rights (SDR19,600,000).

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

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of the Special Account shall be made in accordance with the provisions of Schedule 1 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2005, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

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

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

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

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each June 1 and December 1, commencing June 1, 2011 and ending December 1, 2040. Each installment to and including the installment payable on December 1, 2020, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence

repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

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

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

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

### ARTICLE III

#### Execution of the Project

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

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

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

Section 3.03. For purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

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

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

### ARTICLE IV

#### Financial Covenants

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

(b) The Borrower shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the

Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;

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

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

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

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

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

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

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

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, not later than September 30, 2002, or such later date as the Association shall agree, to prepare quarterly Project Management Reports, acceptable to the Association, each of which:

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

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

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the

Credit, as at the end of the period covered by said report.

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

#### ARTICLE V

##### Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Borrower has adopted the Operational Manual, in form and substance satisfactory to the Association;

(b) the Borrower has established an adequate financial management system, satisfactory to the Association, to ensure proper financial monitoring of the Project;

(c) the Borrower has established the GAC Secretariat and appointed thereto staff with qualifications and experience satisfactory to the Association, in accordance with paragraph 2(a) of Schedule 4 to this Agreement and the provisions of Section II of Schedule 3 to this Agreement;

(d) the Borrower has adopted an adequate legal framework for the management and operation of the AIDS Response Fund, satisfactory to the Association; and

(e) the Borrower has appointed auditors with experience and qualifications satisfactory to the Association.

Section 5.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VI

##### Representative of the Borrower; Addresses

Section 6.01. The Minister of the Borrower at the time responsible for Finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance  
P. O. Box M.40  
Accra  
Ghana

Cable address:

ECONOMICON

Telex:

2205 MIFAEPGH

For the Association:

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

Cable address:

INDEVAS  
Washington, D.C.

Telex:

248423 (MCI) or  
64145 (MCI)

Facsimile:

(202) 477-6391

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

REPUBLIC OF GHANA

By /s/ Yaw Osafo-Maafa

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Peter C. Harrold

Acting Regional Vice President  
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

A. General

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Grants for Sub-projects under Part A of the Project	14,000,000	100% of amounts disbursed
(2) Goods		100% of foreign expenditures and 90% of local expenditures
(a) Motor vehicles	70,000	
(b) Other	630,000	
(3) Consultants' Services, Training and Audits	3,500,000	100%
(4) Incremental Operating Costs	900,000	90%
(5) Unallocated	500,000	
TOTAL	19,600,000	

2. For the purposes of this Schedule, the terms below have the following meanings:

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



any country other than that of the Borrower;

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

(c) "Incremental Operating Costs" means the incremental expenses incurred on account of Project implementation, management and monitoring, including the cost of rent, utilities, office supplies, maintenance of office equipment, fuel and vehicle maintenance and travel expenses for Project staff, excluding the salaries of the Borrower's civil servants.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement, except that withdrawals in an aggregate amount not exceeding the equivalent of \$1,500,000, may be made on account of payments made for expenditures before that date but after October 1, 2000; and (b) payments under Category (1) until and unless the Grant has been made in accordance with the eligibility criteria, procedures, terms and conditions set forth or referred to in paragraphs 3, 4 and 5 of Schedule 4 to this Agreement, and in more detail in the Operational Manual.

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

#### B. Special Account

1. The Borrower shall open and maintain in a commercial bank a special deposit account, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment.

2. After the Association has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Credit Account of amounts to be deposited into the Special Account shall be made as follows:

(a) until the Association shall have received: (i) the first Project Management Report referred to in Section 4.02 (b) of this Agreement; and (ii) a request from the Borrower for withdrawal on the basis of Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Association of a Project Management Report pursuant to Section 4.02 (b) of this Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

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

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if the Association determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

(b) if the Association determines at any time that all further withdrawals should be made by the Borrower directly from the Credit Account; or

(c) if the Borrower shall have failed to furnish to the Association within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of (A) the records and accounts for the Special Account or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

5. The Association shall not be required to make further deposits into the Special

Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

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

(d) Refunds to the Association made pursuant to sub-paragraph (a), (b) or (c) of this paragraph 6 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Development Credit Agreement.

#### Annex A to SCHEDULE 1

##### Operation of Special Account When Withdrawals Are Not Made On the Basis of Project Management Reports

1. For the purposes of this Annex:

The term "Authorized Allocation" means an amount equivalent to US\$2,500,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex.

2. Withdrawals of the Special Account's Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

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

(b) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Special Account's Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit allocated to said Special Account's Eligible Categories minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of expenditures to be financed out of the proceeds of the Credit

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

#### Annex B to SCHEDULE 1

##### Operation of Special Account When Withdrawals Are Made On the Basis of Project Management Reports

1. Except as the Association may otherwise specify by notice to the Borrower, all withdrawals from the Credit Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Special Account's Eligible Categories.
2. Each application for withdrawal from the Credit Account for deposit into the Special Account shall be supported by a Project Management Report.
3. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in the Special Account, shall not exceed the equivalent of \$10,000,000, in respect of the Special Account.

#### SCHEDULE 2

##### Description of the Project

The objective of the Project is to intensify multi-sectoral activities designed to combat the spread of HIV/AIDS and reduce its impact on those already affected by HIV/AIDS.

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

Part A: HIV/AIDS Prevention and Care

Establishment of the AIDS Response Fund to provide Grants for the financing of Sub-projects proposed by eligible Beneficiaries aimed at: (i) prevention of HIV transmission; and (ii) provision of care to persons living with HIV/AIDS and their families.

Part B: Strengthening Public/Private Institutions for HIV/AIDS Control

Strengthening of the technical and managerial capacity of Beneficiaries to implement Sub-projects, through the provision of technical advisory services.

Part C: Knowledge Management

(a) Establishment of a HIV/AIDS information center, including a database, through the provision of technical advisory services and acquisition of equipment.

(b) Dissemination of information to Beneficiaries on, inter alia, HIV/AIDS prevention, care, and best practices from other countries.

Part D: Project Management, Monitoring and Evaluation

(a) Monitoring and evaluation of the progress in the implementation of the Project against targets set out in the Borrower's Strategic Framework, through the carrying out of selected studies.

(b) Management and coordination of Project activities, through the provision of technical advisory services and acquisition of vehicles and equipment.

\* \* \*

The Project is expected to be completed by December 31, 2004.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: General

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

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

Part B: International Competitive Bidding

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

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost less than \$300,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

(a) Vehicles estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

(b) Goods, other than vehicles, estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$400,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Community Participation

Goods and services required for Sub-projects under Part A of the Project shall be procured in accordance with paragraph 3.15 of the Guidelines and as specified in the Operational Manual.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review

and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

## 2. Prior Review

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

(b) With respect to: (i) each Grant Agreement to be concluded by GAC in the amount of \$100,000 or more; (ii) one Grant Agreement under Group A and one Grant Agreement under Group B, during each Funding Cycle, if such Grant Agreements are in an amount of more than \$50,000 and less than \$100,000; and (iii) one Grant Agreement under Group C, during each Funding Cycle, the Borrower shall provide the Association with a copy of the draft Grant Agreement together with the Sub-project proposal.

## 3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

## Section II. Employment of Consultants

### Part A: General

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

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

### Part B: Quality- and Cost-Based Selection

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

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services for training, management and dissemination of information, supervision of Sub-projects, design of the monitoring system, and evaluation of the Project, under Parts B, C and D of the Project, estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

### Part C Other Procedures for the Selection of Consultants

#### 1. Least-Cost Selection

Services for auditors may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

#### 2. Selection Based on Consultants' Qualifications

Services for technical advisory services, training, studies, and supervision of Sub-projects under Parts B and D of the Project estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 to the Consultant Guidelines.

#### 3. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual

consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

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

1. Selection Planning

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

2. Prior Review

(a) With respect to: (i) each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more; and (ii) the first two contracts for the employment of consulting firms of up to \$50,000 equivalent, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

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

(c) Notwithstanding the provisions of sub-paragraphs (a) and (b) above, the terms of reference for all contracts for the employment of consulting firms and individual consultants shall be furnished to the Association for prior review and approval.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

1. Operational Manual

The Borrower shall prepare and furnish to the Association an Operational Manual in form and substance satisfactory to the Association for the implementation of the Project. Except as the Association shall otherwise agree, no provisions of the Operational Manual shall be amended or waived, if in the opinion of the Association, such amendment or waiver will materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

2. GAC Secretariat

(a) The Borrower shall establish and maintain until completion of the Project a Secretariat, within GAC, adequately staffed with persons having qualifications and experience satisfactory to the Association, including: (i) a Project coordinator; (ii) two financial management specialists; (iii) one procurement specialist; and (iv) at least three technical experts.

(b) The GAC Secretariat shall be responsible for the overall implementation of the Project, in accordance with the procedures set forth in the Operational Manual, including, inter alia:

- (i) provision of technical advisory services to potential Beneficiaries in the preparation of Sub-project proposals and the delivery of services;

- (ii) preparation and administration of contracts with Beneficiaries for the implementation of Sub-projects;
- (iii) provision of basic training to Beneficiaries on financial management and procurement;
- (iv) monitoring of the technical and financial performance of Beneficiaries;
- (v) provision of current information on best practices and other existing HIV/AIDS control efforts within the Borrower's territory and internationally; and
- (vi) preparation of annual reports and submission of such annual report to the Association.

### 3. Procedure for Submission of Sub-project Proposals

(a) The Borrower shall request proposals for the funding of Sub-projects semi-annually, to be financed under three financing windows, hereinafter defined as Groups A, B and C, respectively.

(b) The total funds available for each Funding Cycle shall be as set forth in the Operational Manual.

(c) The Borrower shall establish a Technical Sub-Committee to consider proposals for Sub-projects submitted under Group A or B. Sub-projects under Group C shall be reviewed and selected by DACs. In the absence of a DAC, this task will be performed by the competent DA.

(d) The Technical Sub-Committee and the DACs shall inform the Secretariat of the selected Sub-projects, and the Secretariat shall enter into a Grant Agreement with each Beneficiary, as provided in paragraph 5 of this Schedule.

### 4. Eligibility Criteria for Sub-projects under Groups A, B and C

The Borrower shall select eligible Sub-projects for each of the financing windows in accordance with the Operational Manual and the following provisions:

#### A. Group A

(a) The funds under this financing window will be available only to Eligible Ministries which should meet the following conditions:

- (i) provision of matching funds in an amount equivalent to 10% of the cost of the proposed activities to be funded; and
- (ii) preparation of a costed action plan to address HIV/AIDS.

(b) The activities that are eligible for funding under this financing window, include the following:

- (i) AIDS awareness and advocacy activities;
- (ii) development of policies on HIV/AIDS;
- (iii) preparation of guidelines and manuals to assist in dealing with AIDS;
- (iv) sensitization and training of staff of Eligible Ministries on HIV/AIDS; and
- (v) preparation of strategic plans at the district level to combat

AIDS.

#### B. Group B

(a) Funds will be available to all Beneficiaries submitting Subproject proposals for more than \$2,500, with the exception of Eligible Ministries.

(b) Each Beneficiary shall provide a contribution, in cash or in kind, equivalent to 10% of the cost of the Sub-project. This contribution may be lowered in

special cases as specified in the Operational Manual.

(c) All applications for funding under Group B shall require the prior endorsement of the District Assembly of the District in which the proposed Sub-project will be implemented.

(d) All applicants for funding under Group B shall provide to the Technical Sub-Committee, inter alia: (i) evidence of registration, where applicable; (ii) adequate financial statements for the preceding two years, as specified in the Operational Manual; (iii) a list of organizations and individuals the applicants have conducted business with and the type of activities carried out; and (iv) number of staff employed and their profiles.

(e) The activities that are eligible for funding under this financing window, include the following:

- (i) AIDS awareness and advocacy activities;
- (ii) interventions targeting high risk groups to encourage the adoption of low risk behavior and voluntary counseling and testing for both HIV and STDs;
- (iii) counseling;
- (iv) condom distribution and dissemination of information on safe sexual practices;
- (v) home and community care for PLWHAs and community care for orphans;
- (vi) income generation activities for PLWHAs and their families; and
- (vii) legal advice and information for protection of PLWHAs.

#### C. Group C

(a) The funds will be available to Beneficiaries submitting Sub-project proposals for up to \$2,500.

(b) Each Beneficiary shall provide a contribution, in cash or in kind, equivalent to 10% of the cost of the Sub-project. This contribution may be lowered in special cases as specified in the Operational Manual.

(c) Proposals shall be accompanied by a statement of intent, and a guarantee in the form of a declaration of joint liability signed by at least five unrelated members of the community.

(d) The activities eligible for funding under this financing window are similar to those eligible under Group B above.

#### 5. Provisions of Grant Agreements

(a) GAC shall make funds available to a Beneficiary on a grant basis under an agreement satisfactory to the Association to be entered into between GAC and the Beneficiary (the Grant Agreement).

(b) The Grant Agreement shall provide for rights adequate to protect the interests of the Association and the Borrower, and shall cause the Beneficiary to:

- (i) carry out the Sub-project with due diligence and efficiency and in accordance with sound administrative, financial, health, technical and managerial standards;
- (ii) maintain adequate financial records for the Sub-project;
- (iii) procure all goods and services required for a Sub-project in accordance with the provisions of Schedule 3 to this Agreement;
- (iv) use the goods and services so procured exclusively in carrying out the Sub-project; and
- (v) permit the Borrower to inspect, by itself or jointly, with representatives of the Association, if the Association shall so



request, any goods included in the Sub-project, their operation thereof, and any relevant records and documents.

6. Monitoring and Evaluation

The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof, and provide the Association with quarterly financial reports summarizing the progress made in the implementation of Sub-projects;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about October 31, of each year, beginning on October 31, 2001, or such later date as the Association shall otherwise agree, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by November 30 of each year, beginning on November 30, 2001, or such later date as the Association shall otherwise agree, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

