

CONFORMED COPY

IDA GRANT NUMBER H175-0 ER

Development Grant Agreement

(HAMSET II Project)

between

STATE OF ERITREA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 29, 2005

IDA GRANT NUMBER H175-0 ER

DEVELOPMENT GRANT AGREEMENT

AGREEMENT, dated July 29, 2005, between STATE OF ERITREA (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Recipient, 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 Association has received from the Recipient, the Recipient's national strategic plans to combat HIV/AIDS/STI (2003-2007), Tuberculosis (2004-2008) and Malaria (2005-2009) and the draft national strategic plan for reproductive health (the National Strategic Plans), describing the Recipient's objectives, policies and actions designed to prevent and control the spread of the HIV/AIDS, Malaria, Sexually Transmitted Infections and Tuberculosis and Reproductive Health (the Program) and declaring the Recipient's commitment to the execution of the Program;

(C) the Executive Directors of the Association approved on February 7, 2002, the Second Multi-Country HIV/AIDS Program for the Africa Region estimated in the amount of five hundred million United States Dollars;

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

(E) WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Grant to the Recipient 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 May 1,

2004), with the modifications set forth in Schedule 6 to this Agreement (the General Conditions), constitute an integral part of this Agreement.

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

- (a) “AIDS” means the Acquired Immuno-Deficiency Syndrome;
- (b) “Beneficiary” means a community which has met the eligibility criteria set out in the Operational Manual and the requirements of Part B.7 of Schedule 4 to this Agreement and which, as a result, has received or is entitled to receive a Sub-Grant for the carrying out of a Subproject;
- (c) “Community Management Team” means a group of individuals elected by a community for the purpose of planning, preparing and implementing subprojects and referred to in Part C of Schedule 2 to this Agreement;
- (d) “DOTS” means “Directly Observed Treatment Strategy”;
- (e) “Eligible Categories” means Categories (1) through (6) set forth in the table in Part A.1 of Schedule 1 to this Agreement;
- (f) “Eligible Expenditures” means the expenditures for goods, works, consultants’ services referred to in Section 2.02 of this Agreement;
- (g) “Environmental Assessment” means the environment assessment report prepared and adopted by the Recipient under the HAMSET Project, describing the environmental, mitigation, monitoring and institutional measures to be applied in the implementation of the Project as the same may be amended from time to time;
- (h) “Financial Monitoring Report” means each report prepared in accordance with Section 4.02 of this Agreement;
- (i) “HAMSET diseases” means the following diseases and conditions, namely HIV/AIDS, Malaria, STI (as hereinafter defined), Tuberculosis and Reproductive Health;

(j) “HAMSET Diseases Control Project” or “HAMSET Project” means the Project financed under the Development Credit Agreement (Credit No. 3444-ER) signed between the State of Eritrea and the Association on December 19, 2000;

(k) Health Care Waste Management Plan or “HCWMP” means a national plan prepared and adopted by the Recipient on October 2004, for the management of hazardous health/medical waste, referred to in Part C.9(e) of Schedule 4 to this Agreement, as the same may be amended from time to time;

(l) “HIV” means the Human Immuno-Deficiency Virus;

(m) “IAPSO” means the Inter-Agency Procurement Services of the United Nations Development Programme;

(n) “Initial Deposit” means the initial amount to be paid into the Project Account pursuant to Section 3.03 (ii) of this Agreement;

(o) “MOH” means the Recipient’s Ministry of Health or any legal successor thereto;

(p) “Monitoring and Evaluation Indicators” means the agreed performance indicators set forth in Schedule 5 to this Agreement to be utilized by the Recipient under the Project to measure the progress in the implementation of the Project and the degree to which the objectives thereof are being achieved;

(q) “Nakfa” means the currency of the Recipient;

(r) “National Steering Committee” means a committee set up under HAMSET, and referred to in Part A.2 of Schedule 4 to this Agreement;

(s) “National Technical Committee” means a technical body responsible for reviewing plans and activities of implementing partners and addressing project strategic implementation and coordination issues referred to in Part A.3 of Schedule 4 to this Agreement;

(t) “Operational Manual” means a manual satisfactory to the Association referred to in Part C.11 of Schedule 4 to this Agreement, setting forth details of all procedures, guidelines, timetables and criteria (including the eligibility criteria for Sub-Grants and Subprojects) required for the Project as such manual may be amended from time to time with prior agreement of the Association;

(u) “Participating Agencies” or “PAs” means those agencies primarily involved in the implementation of the Part A of the Project and includes selected line Ministries (other than the Ministry of Health) and civil society organizations;

(v) “Procurement Plan” means the Recipient’s procurement plan, dated May 13, 2005 covering the initial 18 month period of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 months of Project implementation.

(w) “PMU” means the Project Management Unit established under the HAMSET Project and referred to in Part A.4 (a) of Schedule 4 to this Agreement;

(x) “Project Account” means the account referred to in Section 3.03 of this Agreement;

(y) “Project Year” means the calendar year which is also the Recipient’s fiscal year;

(z) “Report-based Disbursements” means the Recipient’s option for withdrawal of funds from the Grant Account referred to in Part A5 of Schedule 1 to this Agreement;

(aa) “Results-Based Framework” means the guiding framework for community Subprojects referred to in Part B.7 of Schedule 4 to this Agreement, to be developed and adopted by the Recipient as an integral part of the Operational Manual; ;

(bb) “Special Account” means the account referred to in Part B of Schedule 1 to this Agreement;

(cc) “STI” means sexually transmitted infection;

(dd) “Sub-Grant” means a sub-grant to be made to a Beneficiary for the purpose of financing a Subproject or activity under Part C of the Project;

(ee) “Sub-Grant Agreement” means the agreement referred to in paragraph B.8 of Schedule 4 to this Agreement;

(ff) “Subproject” means a community subproject or activity to be carried out under Part C of the Project which has met the eligibility criteria and is eligible for financing, on a grant basis, in accordance with the provisions of the Operational Manual;

(gg) *Zoba*” means a Regional administration of the Recipient, as defined under *Proclamation for the Establishment of Regional Administrations*, No: 86 of 1996 of the Eritrean Laws.

ARTICLE II

The Grant

Section 2.01. The Association agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to fifteen million nine hundred thousand Special Drawing Rights (SDR 15,900,000).

Section 2.02. The amount of the Grant may be withdrawn from the Grant Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for carrying out the Project and to be financed out of the proceeds of the Grant.

Section 2.03. The Closing Date shall be June 30, 2010 or such later date as the Association shall establish. The Association shall promptly notify the Recipient of such later date.

Section 2.04. (a) The Recipient shall pay to the Association a commitment charge on the principal amount of the Grant 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 Recipient from the Grant 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 2.04 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 Recipient; and (iii) in US dollars or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of Section 4.02 of the General Conditions.

Section 2.05. Commitment charges shall be payable semiannually on April 1 and October 1 in each year.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient 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 with due diligence and efficiency and in conformity with appropriate administrative, financial, health and technical 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 Recipient and the Association shall otherwise agree, the Recipient shall carry out the Project in accordance with the implementation program set forth in Schedule 4 to this Agreement.

Section 3.02. (a) Except as the Association shall otherwise agree, procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the Grant shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Recipient shall update the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association not later than 12 months after the date of the preceding Procurement Plan, for the Association's approval.

Section 3.03. The Recipient shall: (i) establish and thereafter maintain in Nakfa, until completion of the Project, a Project Account in a commercial bank on terms and conditions satisfactory to the Association into which the Recipient shall deposit its counterpart contributions to Project costs; (ii) pay into the Project Account an initial amount (the Initial Deposit) equivalent to \$350,000; and (iii) thereafter during each following six months deposit into the Project Account the amounts required to cover the said contributions for each such six months, as determined by the Recipient and the Association.

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

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Recipient 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 Recipient on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Recipient shall:

(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Association), audited, in accordance with consistently applied auditing standards acceptable to the Association, 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 (or such other period agreed to by the Association), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and

(iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, 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 Grant Account were made on the basis of reports referred to in Part A.5 of Schedule 1 to this

Agreement (Report-based Disbursements) or on the basis of statements of expenditure, the Recipient shall:

- (i) retain, until at least one year after the Association has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such reports or statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient's progress reporting obligations set out in Schedule 4 to this Agreement, the Recipient shall prepare and furnish to the Association a financial monitoring report (FMR), in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Grant, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Effectiveness; Termination

Section 5.01. The following events are specified as condition to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions:

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

(b) the Recipient has pursuant to Section 3.03 (ii) opened a Project Account with an initial deposit of \$350,000 equivalent.

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 Recipient; Addresses

Section 6.01. The Minister of National Development of the Recipient is designated as representative of the Recipient 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 Recipient:

Ministry of National Development
P. O. Box 1386
Asmara
Eritrea

Facsimile:
291-1-126422

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 Asmara, Eritrea as of the day and year first above written.

STATE OF ERITREA

By /s/ Dr. Futur Woldai

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Colin Bruce

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Grant

A. General

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

<u>Category</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works	600,000	100% of foreign expenditures 90% of local expenditures
(2) Goods	4,900,000	100% of foreign expenditures and 90% of local expenditures
(3) Consultants' services, studies, training and workshops	5,800,000	100% of foreign expenditures and 90% of local expenditures
(4) Sub-Grants	2,250,000	100% of amounts disbursed
(5) Operating Costs	900,000	55%
(6) Unallocated	1,450,000	
	<hr/>	
	15,900,000	
	<hr/>	
TOTAL	<hr/> <hr/>	

2. For the purposes of this Schedule:

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

(b) the term “local expenditures” means expenditures in the currency of the Recipient or for goods, or services supplied from the territory of the Recipient; and

(c) the term “Operating Costs” means the expenditures incurred under the Project on account of maintenance of vehicles, fuel, equipment, office rent, office supplies, utilities, consumables, reasonable bank charges, travel per diems and allowances accommodation costs and salaries of temporary staff (excluding salaries of the Recipient’s civil servants).

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Association may require withdrawals from the Grant Account to be made on the basis of statements of expenditures for: (i) goods under contracts costing less than \$150,000 equivalent each; (ii) works under contracts costing less than \$500,000 each; (iii) consulting services under contracts costing less than \$100,000 equivalent each for consulting firms, and \$50,000 equivalent each for individual consultants; and (iv) workshops, training, sub-grants and operating costs all under such terms and conditions as the Association shall specify by notice to the Borrower.

5. The Recipient may request withdrawals from the Grant Account to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the FMR and any other information as the Association shall specify by notice to the Recipient (Report-based Disbursements). In the case of the first such request submitted to the Association before any withdrawal has been made from the Grant Account, the Recipient shall submit to the Association only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

B. Special Account

1. The Recipient may open and maintain in Dollars a special deposit account in a commercial Bank acceptable to the Association, 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 Grant Account of amounts to be deposited into the Special Account shall be made as follows:

(a) if the Recipient is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) if the Recipient is making Report-based Disbursements, 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 Recipient out of the Special Account, the Recipient 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, at any time, is not satisfied that the reports referred to in Part A.5 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Recipient directly from the Grant Account; or

(c) if the Recipient 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 Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

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 Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the Grant 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 Recipient 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 Recipient 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 Recipient 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 Recipient shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Recipient 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 subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Grant Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Grant Agreement.

**Annex A
to
SCHEDULE 1**

**Operation of Special Account
When Withdrawals Are Not
Report-based Disbursements**

1. For the purposes of this Annex, the term “Authorized Allocation” means the amount of \$3,000,000 to be withdrawn from the Grant Account and deposited into the Special Account pursuant to paragraph 2 of this Annex provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$1,500,000 until the aggregate amount of withdrawals from the Grant Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or do not exceed the equivalent of SDR 4,000,000.

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

(a) For withdrawals of the Authorized Allocation, the Recipient 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 Recipient, withdraw from the Grant Account and deposit into the Special Account such amount as the Recipient shall have requested.

(b) For replenishment of the Special Account, the Recipient 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 Recipient 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 Recipient, withdraw from the Grant Account and deposit into the Special Account such amount as the Recipient 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 Grant Account under one or more of the Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Grant minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section

5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Grant Account of the remaining unwithdrawn amount of the Grant shall follow such procedures as the Association shall specify by notice to the Recipient. 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
Report-based Disbursements**

1. Withdrawals from the Grant 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 Grant Account under one or more of the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the Grant, the Association shall, on behalf of the Recipient, withdraw from the Grant 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 reports referred to in Part A.5 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Recipient in: (a) containing the spread of HIV/AIDS/ STI in vulnerable groups as well as the general population through a multi-sectoral approach which aims at scaling up prevention, diagnosis, care, and support services for HIV/AIDS/STI, with a renewed focus on the most vulnerable populations; (b) expanding DOTS coverage, improving case detection and treatment outcomes for tuberculosis; (c) further reducing or at least maintaining malaria mortality and morbidity at the current low levels; (d) improving the coverage of reproductive health interventions; and (e) strengthening the overall health system's capacity to address the HAMSET diseases.

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

Part A: Multi-sectoral Response

1. Supporting Participating Agencies other than the Ministry of Health including the Ministry of Education, Ministry of Defense, Ministry of Labour and Human Welfare, civil society organizations such as the National Union of Eritrean Women at both national and *zoba* level to scale up prevention care and support interventions for HIV/AIDS/STIs, malaria, tuberculosis and reproductive health.

2. Promoting healthy behaviors and lifestyles, through various multi-level communication methods including information dissemination, education and communication campaigns and peer-led behavior change communication programs.

Part B: Health Sector Response

1. HIV/AIDS/STI, Tuberculosis, Malaria and Reproductive Health:

(a) improving the information base for decision making, through supporting disease surveillance and reporting, carrying out of surveys and operational research in program management, epidemiology, entomology, drug resistance and behavior of HAMSET diseases; (b) scaling up and expanding preventive interventions for HAMSET diseases; and (c) scaling up diagnostic, treatment, care and support services for HAMSET diseases, all through technical advisory services, in-service training, financing of

operating costs, acquisition of drugs and medical supplies, equipment, and minor renovation of reproductive health facilities.

2. Human Resource for HAMSET diseases:

Supporting the development and implementation of an overall human resource health policy and strategic plan to strengthen human resources for HAMSET diseases, through: (a) consolidating existing health policies and developing a five-year national strategic plan; (b) developing and implementing annual work plans, all through the provision of technical advisory services, training, workshops and development and dissemination of training materials.

Part C: Community Managed HAMSET Response Program

Scaling up and consolidating community-managed response initiatives to address HAMSET diseases through: (i) financing of Sub-Grants for small scale community Subprojects aiming at controlling HAMSET diseases; and (ii) developing the capacity of communities to: (a) mobilize and identify HAMSET problems and (b) develop, implement, monitor and evaluate subprojects.

Part D: Project Management and Evaluation

Strengthening Project management and evaluation capacity, through: (i) provision of support to project management units at the national and zoba levels, and coordination of project activities at the central level; (ii) training in planning, management and implementation of Project activities for key staff in non-health sectors and local governments; (iii) developing and carrying out a health sector monitoring and evaluation system; (iv) developing, piloting and evaluating innovative approaches in service delivery; and (v) strengthening health policy related to HAMSET.

* * *

The Project is expected to be completed by December 31, 2009.

SCHEDULE 3

Procurement

Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding.

B. Other Procurement Procedures

1. Limited International Bidding. Goods which the Association agrees can only be purchased from a limited number of suppliers may be procured under contracts awarded on the basis of Limited International Bidding.

2. National Competitive Bidding. Goods estimated to cost less than \$150,000 equivalent per contract and works estimated to cost less than \$2,000,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding.

3. Shopping. Goods estimated to cost less than \$75,000 equivalent per contract and works estimated to cost less than \$100,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

4. Direct Contracting. Goods and works which the Association agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

5. Procurement from UN Agencies. Goods estimated to cost less than \$50,000 equivalent per contract, and drugs regardless of cost, may be procured directly from IAPSO or other UN Agencies in accordance with the provisions of paragraphs 3.1 and 3.9 of the Procurement Guidelines.

6. Community Participation. Goods, works and services required for the Project may be procured on the basis of community participation in accordance with procedures acceptable to the Association.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$100,000 equivalent per contract may comprise entirely of national consultancy firms.

B. Other Procedures

1. Quality-based Selection. Services for special assignments which the Association agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of Quality-based Selection in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Selection Under a Fixed Budget. Services for assignments which the Association agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

3. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded

in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

4. Single Source Selection. Services for tasks which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

5. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

6. Least-cost Selection. Services for tasks which meet the requirements of paragraph 3.6 of the guidelines may be awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

Section IV. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) each contract for goods estimated to cost more than \$150,000; (b) each contract for works estimated to cost more than \$500,000; (c) each contract for services (other than consultants' services) estimated to cost the equivalent of \$100,000 or more; and (d) each contract for consultants' services provided by a firm on the basis of Single Source selection or estimated to cost the equivalent of \$150,000 or more. In addition, with respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the report on the qualifications and experience of all evaluated candidates, the terms of reference and the terms of employment of the consultants shall be subject to prior approval by the Association. All other contracts shall be subject to Post Review by the Association.

SCHEDULE 4

Implementation Program

Part A Institutional Arrangements

1. The Recipient shall designate the MOH with the overall responsibility for project coordination.

Steering Committees

2. The Recipient shall: (a) maintain the National Steering Committee comprising of the Minister of National Development, Minister of Education, Minister of Defense, Minister of Labour and Human Welfare and 6 Zoba Administrators; and ensure that it is chaired by the Minister of MOH who will be in charge of making policy decisions on Project activities, provision of project oversight, providing strategic direction on work and approving the annual work program of the implementing partners; and

(b) maintain or establish a Zoba Steering Committee as deemed necessary chaired by the Zoba Administrator comprising of representatives of line ministries at the Zoba level and relevant stakeholders.

Technical Committees

3. The Recipient shall ensure that:

(a) the existing National Technical Committee chaired by the Director General of Health Services of the MOH consists of senior staff (at least at the Director level) of key participating agencies at the national level to provide technical guidance at the national level and support integrated planning;

(b) a technical working group consisting of HAMSET focal persons from participating agencies, technical staff from MoH and representatives from the PMU is established and provides support to the National Technical Committees;

(c) the *Zoba* Technical Committee (i) is chaired by the *Zoba* Medical Officer and includes participants from the *Zoba* health management office, the *Zoba* PMU and other *Zoba* level implementers; (ii) develop integrated work plans and budgets, at the *Zoba* level; and (iii) receive guidance on strategic policies and oversight from the *Zoba* Administrator.

Project Implementation Units

4. The Recipient shall for the purposes of the Project:

(a) maintain in MOH, the Project Management Unit (PMU) established for the HAMSET project in a form and with functions, staffing (including a Project Monitoring and Evaluation Specialist) and resources satisfactory to the Association. The PMU shall be responsible for the overall management of Project activities, including financial management and procurement, providing support to the implementing agencies and providing secretarial services to the National Technical Committee.

(b) maintain in each *Zoba*, a *Zoba* Project Management Unit (*Zoba* PMUs) under the *Zoba* Administrator, which shall be responsible for the implementation of Project activities at the *Zoba* level.

5. In implementing the project, the Recipient shall ensure that:

(a) the National HAMSET Technical Committee works closely with the PMU in the planning of Project activities, the provision of technical advice related to Project execution, supervision and monitoring of Project activities.

(b) the *Zoba* HAMSET Technical Committees work closely with the respective *Zoba* PMUs in the planning and implementation of Project activities at the *Zoba* level.

6. In implementing Part A of the project, the Recipient shall ensure that Participating Agencies develop their annual workplans in accordance with criteria outlined in the Operational Manual. The workplans will be selected by the National Technical Committee on a competitive basis and approved for funding by the National Steering Committee.

Part B. Subprojects and Grants

7. In implementing Part C of the Project, the Recipient shall ensure that Subproject proposals fully satisfy the criteria specified in the Operational Manual for Grant financing and the principles outlined in the Results-Based Framework which shall *inter alia* include the following;

(a) the Beneficiary through its Community Management Team, submits a Subproject proposal in accordance with criteria described in the Operational Manual; and

(b) the Beneficiary has agreed to provide at least 15% of the estimated Subproject costs in the form of cash, materials, labor and other services.

8. The Recipient shall enter into agreements for the making of the Grants to the Beneficiaries (Sub-Grant Agreements) satisfactory to the Association. The terms and conditions of each Sub-Grant Agreement shall provide for rights adequate to protect the interests of the Association and the Recipient and shall *inter alia* include the following:

(a) require the Beneficiary to (i) carry out the Subproject with due diligence and efficiency; (ii) maintain adequate records for the Subproject; (iii) use sub-grant funds exclusively for the carrying out of the Subproject; and (iv) procure all goods, works and services to be financed from the proceeds of the grant in accordance with the provisions of Schedule 3 to this Agreement;

(b) reserve for the Recipient and the Association (if the Association shall so request) the right to inspect the Subproject and any relevant records and documents; and

(c) reserve for the Recipient the right to suspend or terminate the right of the Beneficiary to the use of the proceeds of the Sub-Grant upon failure by the Beneficiary to perform any of its obligations under the Sub-Grant Agreement.

Part C Monitoring and Evaluation

9. The Recipient shall:

(a) no later than December 31, 2005 or any other date agreed with the Association finalize and adopt a National Strategic Plan for Reproductive Health;

(b) no later than March 31, 2006 or any other date agreed with the Association, establish an operational plan for M& E of HIV/AIDS/STIs, Malaria, TB and Reproductive Health;

(c) maintain policies and procedures adequate to enable the Recipient to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 5 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(d) implement the project in accordance with the requirements of the HCWMP, the Environmental Assessment and any other relevant national legal and policy requirements; and procuring only chemicals, acceptable to the Association, for the control of the malaria vector; and (e) no later than January 31 of each year or any other

date agreed with the Association, carry out jointly with the Association and other implementers and stakeholders, a review of the previous year's implementation progress for each HAMSET disease and develop a preliminary plan for addressing each of the disease for the coming year. Following the joint review, the Recipient shall finalize the detailed work plan and budget for the coming year by February 28 of each year.

10. No later than June 30, 2008 or any other date agreed with the Association, the Recipient shall carry out, jointly with the Association, a midterm review of the progress made in carrying out the Project (the Midterm Review). The Midterm Review shall cover among other things:

an assessment of: (A) work programs prepared and the progress made in carrying out the said programs as of the date of the Midterm Review, (B) procurement under the Project, (C) the extent to which actions described in the indicators set out in Schedule 5 to this Agreement have been carried out, and (D) plans made or proposed for updating said indicators; and

11. The Recipient shall carry out the Project in accordance with the Operational Manual and, except as the Association shall otherwise agree, the Recipient shall not amend or waive any provision of the Operational Manual if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

SCHEDULE 5

Performance Indicators

HIV/AIDS/STIs

1. Maintain HIV prevalence rate among commercial sex workers under 12% and among pregnant women aged 15-24 under 3%.
2. Reduce syphilis sero-prevalence rate among pregnant women from 1.6% to below 1%.

Tuberculosis

3. Detect at least 70% of infectious tuberculosis cases in the population.
4. Treat at least 80% of diagnosed tuberculosis cases with DOTS.
5. Successfully treat at least 85% of new smear positive cases.

Malaria

6. Further reduce or at least maintain at the 2004 levels, the proportional malaria morbidity at 1.9% and mortality at 3.9 %.

Reproductive health

7. Increase the percentage of pregnant women receiving focused antenatal care by 20%.
8. Increase the percentage of pregnant women who deliver with skilled birth attendance from 30% to 60%.
9. Ensure all public hospitals and health centers offer basic emergency obstetric care by December 2009.
10. Increase the percentage of contraceptive prevalence rate (modern methods) from 4% to 10%.

Human Resources for Health

11. Train at least 200 nurse midwives, 200 public health technicians and 200 laboratory technicians by December 2009.

12. Increase the percentage of health stations with at least 1 nurse from 28% to 50% by December 2009

SCHEDULE 6

Modifications to the General Conditions

For the purpose of this Agreement, the provisions of the General Conditions are modified as follows:

1. Sections 3.02, 3.03, 3.04(a), 3.04(b), 6.05 and Article VII are deleted in their entirety.
2. Wherever used in the General Conditions, the following terms are modified to read as follows:
 - (a) The term “Borrower” is modified to read “Recipient”.
 - (b) The term “Credit” is modified to read “Grant”.
 - (c) The term “Credit Account” is modified to read “Grant Account”.
 - (d) The term “Development Credit Agreement” is modified to read “Development Grant Agreement”.
3. Section 1.01 is modified to read as follows:

“Section 1.01. Application of General Conditions
These General Conditions set forth the terms and conditions generally applicable to the Development Grant Agreement to the extent and subject to any modifications set forth in such agreement.”
4. Paragraph 3 of Section 2.01 is modified to read as follows:

“3. “Recipient” means the party to the Development Grant Agreement to which the Grant is made.”
5. Article III is modified as follows:
 - (a) The heading of Article III is modified to read “Grant Account; Partial Payment”, and the heading of Section 3.04 is modified to read “Partial Payment”.

(b) The words “The principal of, and service charges on, the Credit” in Section 3.05 are modified to read “All amounts required to be paid under the Development Grant Agreement”.

6. Article IV is modified as follows:

(a) Section 4.02(a) is modified to read as follows:

“Section 4.02. *Currencies in which Payments are to be Made*

(a) The Recipient shall pay all amounts required to be paid by it under the Development Grant Agreement in the currency specified in such agreement or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to paragraph (c) or (e) of this Section.”

(b) Wherever used in Section 4.02(c) and (e) of the General Conditions, the words “principal and service charges” are modified to read “amounts”.

(c) Section 4.03 is modified to read as follows:

“Section 4.03. *Amount of the Grant*

The amount of the Grant withdrawn from time to time shall be the equivalent in terms of SDR (determined as of the date or respective dates of withdrawal from the Grant Account) of the value of the currency or currencies so withdrawn.”

(d) Section 4.06(b) is modified to read as follows:

“(b) All amounts which the Recipient shall be required to pay under the Development Grant Agreement shall be paid without restrictions of any kind imposed by, or in the territory of, the Recipient.”

7. Article VI is modified as follows:

(a) The word “credit” in paragraphs (a)(ii) and (c)(i) of Section 6.02 is replaced with the words “credit, grant or financing”.

(b) Section 6.03 (c) is modified by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

8. Section 8.01(a) is modified to read as follows:

“(a) All amounts which the Recipient shall be required to pay under the Development Grant Agreement shall be paid without deduction for, and free from, any taxes levied by, or in the territory of, the Recipient.”

9. Section 12.05 and its heading are modified to read as follows:

“Section 12.05. *Termination of Development Grant Agreement.*
The obligations of the Recipient under the Development Grant Agreement shall terminate on the date 20 years after the date of the Development Grant Agreement.”