

CONFORMED COPY

CREDIT NUMBER 3627 SL

Development Credit Agreement

(HIV/AIDS Response Project)

between

REPUBLIC OF SIERRA LEONE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 4, 2002

CREDIT NUMBER 3627 SL

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 4, 2002, between the REPUBLIC OF SIERRA LEONE (the

Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Association has received from the Borrower the following policy document, namely, the Borrower's National HIV/AIDS Policy paper dated January 23, 2002, describing the Borrower's program of actions, objectives and policies designed to prevent and control the HIV/AIDS epidemic (the Program) and declaring the Borrower's commitment to the execution of the Program;

(C) the Project is part of the second phase of the Multi-Country AIDS Program (MAP II) for the Africa Region, approved by the Board of Executive Directors of the Association on February 7, 2002; 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.

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) "Beneficiary Community" means a community of people living in the Borrower's territory for the benefit of whom a Work Plan (as hereinafter defined), or a CCSI Subproject (as hereinafter defined), is carried out, including, but not limited to, out of school youth, ex-combatants, women, children, commercial sex workers, PLWHA (as hereinafter defined), people with signs and symptoms of STI (as hereinafter defined), workers, members of the armed forces, refugees, migrants, and health workers;

(c) "CCSI Grant" means a grant for a CCSI Subproject under Part D of the Project made in accordance with the CCSI Manual and Section G of Schedule 4 to this Agreement;

(d) “CCSI Manual” means the supplement to the Project Operations Manual setting out procedures, and terms and conditions for CCSI Grants, under Part D of the Project;

(e) “CCSI Subproject” means an activity to be carried out by a Participating Private Sector Agency under Part D of the Project which, having met the eligibility criteria set out in the CCSI Manual and the provisions of Schedule 4 to this Agreement, is eligible for financing, on a grant basis, out of the proceeds of the Credit; “Large CCSI Subproject” means a CCSI Subproject estimated to cost more than \$25,000 equivalent; and “Small CCSI Subproject” means a CCSI Subproject estimated to cost \$25,000 equivalent or less;

(f) “Financial Monitoring Report” means each report prepared in accordance with Section 4.02 of this Agreement;

(g) “Financial/Procurement Management Agent” and “FPMA” mean the private financial institution, accounting or audit firm to be appointed by the Borrower pursuant to Section B.5 of Schedule 4 to this Agreement to manage the proceeds of the Credit, including procurement and financial accounting;

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

(i) “IEC/BCC” means Information, Education and Communication, and Behavioral Change Communication activities;

(j) “Intervention Management Agent” and “IMA” mean a private organization or firm appointed by the Borrower for the purpose of receiving, appraising and approving applications for Small CCSI Subprojects in conjunction with NAS (as hereinafter defined);

(k) “Leone” means the currency of the Borrower;

(l) “Line Ministry” means an entity in the Borrower’s government cabinet structure, including the Ministry of Health and Sanitation;

(m) “Mano River Union HIV/AIDS Initiative” means the regional initiative for Sierra Leone, Liberia and Guinea initiated by United Nations Agencies;

(n) “MAP II” means the second phase of the multi-country HIV/AIDS Program for the Africa Region;

(o) “MOHS” means the Ministry of Health and Sanitation;

(p) “NAC” means the National HIV/AIDS Council to be established under the Office of the President of the Borrower pursuant to Section B.1 of Schedule 4 to this Agreement;

(q) “NaCSA” means the Borrower’s National Commission for Social Action;

(r) “NAS” means the National HIV/AIDS Secretariat to be established and maintained under the supervision of NAC, pursuant to Section B.2 of Schedule 4 to this Agreement;

(s) “Participating Private Sector Agency” means a private sector entity operating under the laws of the Borrower including, but not limited, to NaCSA, an association, a non-governmental organization, a community based organization, a civil society group, a religious body, a labor union or worker association, a research institution, a chiefdom, a village, a group of ex-combatants, a group of refugees, returnees, internally displaced persons, a women or youth group, a business or a sports club which has met the eligibility criteria and requirements set out in the CCSI Manual and in Schedule 4 to this Agreement and which, as a result, is entitled to receive a CCSI Grant for the carrying out of a CCSI Subproject under Part D of the Project;

(t) “Participating Public Sector Agency” means a Line Ministry or other agency of the Borrower which has met the eligibility criteria set out in the Project Operations Manual and has met the requirements of Schedule 4 to this Agreement and which, as a result, has received or is entitled to receive, funds from the proceeds of the Credit for carrying out a Work Program (as hereinafter defined) under Part B of the Project;

(u) “PLWHA” means People Living with HIV/AIDS;

(v) “Project Implementation Plan” and “PIP” mean the plan for the implementation of the Project referred to in Paragraph A of Schedule 4 to this Agreement;

(w) “Project Operations Manual” and “POM” mean the Project Operations Manual for the Project referred to in paragraph 1 of Schedule 4 to this Agreement;

(x) “Project Preparation Advance” means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association on September 24, 2001 and on behalf of the Borrower on October 1, 2001;

(y) “Special Accounts” mean the accounts referred to in Section 2.02 (b) of this Agreement;

(z) “STI” means sexually transmitted infections; and

(aa) “Work Plan” means an activity or activities to be carried out by a Participating Public Sector Agency under Part B of the Project which, having met the eligibility criteria set out in the PIP and POM and the provisions of Schedule 4 to this Agreement, is eligible for financing out of the proceeds of the Credit.

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 twelve million one hundred thousand Special Drawing Rights (SDR 12,100,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for (i) expenditures made (or, if

the Association shall so agree, to be made) in respect of the reasonable cost of goods, works 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 to meet the reasonable cost of goods, works and services required for any Subproject in respect of which the withdrawal from the Credit Account is requested.

(b) The Borrower may open and maintain in dollars a separate special deposit account (the Main Project Account) for the purposes of Parts A, B, and D of the Project, and a separate special deposit account (the MOHS Special Account) for purposes of Part C of the Project, both in a bank satisfactory to the Association, and on terms and conditions satisfactory to the Association including appropriate protection against set off, seizure or attachment. Deposits into, and payments out of, each respective Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be December 31, 2006 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 15 and December 15 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 15 and December 15 commencing June 15, 2012 and ending December 15, 2041. Each installment up to and including the installment payable on December 15, 2021 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 Parts A, B and D of the Project through the NAC and the NAS, and Part C of the Project through the MOHS, all with due diligence and efficiency and in conformity with appropriate administrative, financial, public health and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

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

Section 3.03. Without limitation upon the provisions of Section 3.01 of this Agreement, the Borrower shall, for the purposes of facilitating its counterpart contribution to the Project:

(a) open and maintain in a bank, until the completion of the Project, an account on terms and conditions satisfactory to the Association;

(b) deposit into the Project Account an initial amount in Leones equivalent to \$100,000, and thereafter, at quarterly intervals, deposit into the Project Account such amounts as are estimated to be required for the ensuing quarter or such other amounts as shall be agreed between the Borrower and the Association; and

(c) ensure that the amounts deposited into the Project Account in accordance with paragraph (b) of this Section shall be used exclusively for expenditures under the Project not otherwise financed from the proceeds of the Credit.

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

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan designed to ensure the continued achievement of the Project's objectives; 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 Accounts for each fiscal year audited, in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of 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 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 Borrower's progress reporting obligations set out in Sections H and I of Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Association a Financial Monitoring Report, 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 Credit, 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 Financial Monitoring Report 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 financial monitoring report shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely that a situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out.

ARTICLE VI

Effective Date; Termination

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

Conditions:

- (a) the Borrower has established the NAC and the NAS and has appointed the following key staff for the NAS: a Director, a Deputy Director and a Planning, Monitoring and Evaluation Specialist, all with qualifications, experience and terms of reference acceptable to the Association;
- (b) the Borrower has adopted the Project Operations Manual (other than the CCSI Manual) in form and substance satisfactory to the Association;
- (c) the Borrower has finalized the Project Implementation Plan for the first calendar year of the Project in form and substance satisfactory to the Association;
- (d) the Borrower has established an accounting and a financial management system satisfactory to the Association;
- (e) the Borrower has appointed the Financial/Procurement Management Agent referred to in Section B.5 of Schedule 4 to this Agreement in accordance with the provisions of Section II of Schedule 3 to this Agreement;
- (f) the Borrower has appointed an independent auditor in accordance with the provisions of Section II of Schedule 3 to this Agreement; and
- (g) the Borrower has finalized a medical waste management training plan for the six (6) month period following the effectiveness date of the Project, in form and substance satisfactory to the Association and has undertaken to develop a comprehensive medical waste management plan.

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

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister responsible for finance of the Borrower is designated as the representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

The Minister of Finance
Ministry of Finance

Freetown, Sierra Leone

Cable address:

MINFIN
Freetown

For the Association:

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

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

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

REPUBLIC OF SIERRA LEONE

By /s/ John E. Leigh
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo
Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

	<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDRs)</u>	<u>% of Expenditure to be Financed</u>
(1)	Civil works (a) Under Parts A, B and D of the Project (b) Under Part C of the Project	40,000 40,000	90%
(2)	Goods (a) Under Parts A, B and D of the Project (b) Under Part C of the Project	450,000 450,000	100% of foreign expenditures and 90% of local expenditures
(3)	Consultants' Services, Audit and Training (a) Under Parts A, B and D of the Project (b) Under Part C of the Project	2,100,000 2,100,000	100% of foreign expenditures and 90% of local expenditures
(4)	CCSI Grants under Part D of the Project	5,250,000	100% of amounts disbursed

	<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDRs)</u>	<u>% of Expenditure to be Financed</u>
(5)	Operating Costs		90%
	(a) Under Parts A, B and D of the Project	200,000	
	(b) Under Part C of the Project	200,000	
(6)	Project preparation advance	320,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(7)	Unallocated	950,000	
	TOTAL	12,100,000	

2. For the purposes of this Schedule:

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

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

(c) the term “Operating Costs” means the operating costs arising under the Project on account of maintenance of vehicles, fuel, equipment, office supplies, utilities, consumables, travel per diems and allowances, travel and accommodation, office rental and Project support to staff recruited to work in the NAS, but excluding 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 SDR1,200,000 may be made in respect of Categories (2), (4) and (5) on account of payments made for expenditures before that date but after February 14, 2002; and

(b) expenditures under Category (4) unless: (i) NAC has formally approved and adopted the CCSI Manual; and (ii) the CCSI Grant in question has been made in accordance with the procedures, guidelines and other provisions set out or referred to in the CCSI Manual, the POM and Schedule 4 of this Agreement.

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

SCHEDULE 2

Description of the Project

The objective of the Project is to support the Borrower's efforts to organize a multisectoral response to the HIV/AIDS crisis, including containing or reducing the spread of HIV/AIDS and mitigating its effects.

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

Part A: Capacity Building, Policy and Program Coordination

1. Strengthening the capacity of the Borrower to contain the spread of HIV/AIDS and to mitigate its effects through provision of technical advisory services and training to staff of NAC and NAS.
2. Dissemination of information related to the prevention and care of HIV/AIDS, including meetings, workshops, preparation and dissemination of materials related thereto through multimedia channels.
3. Provision of training to key staff in Participating Public Sector Agencies to assist in the design, planning and execution of Work Plans.
4. Provision of training to Participating Private Sector Agencies to assist in the design, planning and execution of CCSI Subprojects.
5. Carrying out a comprehensive assessment, monitoring and evaluation of the National HIV/AIDS Policy, strategy and plan of action, including biological and behavioral surveillance and epidemiological research.

Part B: Multi-sector Response for HIV/AIDS Prevention and Care

Improving the capacity of Participating Public Sector Agencies to respond to the HIV/AIDS crisis through carrying out of Work Plans.

Part C: Health Sector Responses to STI/HIV Management

Strengthening the capacity of MOHS to respond to HIV/AIDS through:

1. Reform of MOHS institutional arrangements in order to increase its capacity to effectively address HIV/AIDS.
2. Rehabilitation of MOHS's central laboratory at Connaught Hospital.
3. Upgrading of MOHS's national sentinel surveillance system.
4. Carrying out of voluntary counseling and testing (VCT) activities.
5. Implementation of syndromic management of STI.
6. Upgrading of the Borrower's blood transfusion system, including carrying out of screening and supply programs.
7. Strengthening the capacity of the national and other referral hospitals to deal with HIV/AIDS, STI, and other opportunistic infections including Tuberculosis.
8. Procurement and distribution of condoms and carrying out of a social marketing campaign to encourage the use of condoms.
9. Carrying out of IEC/BCC activities, in collaboration with Participating Public Sector Agencies, aimed at vulnerable or potentially high transmitter groups.
10. Establishment of a primary level care and treatment program for people infected and affected by HIV/AIDS.
11. Carrying out of programs to prevent mother to child transmission of HIV in HIV-positive pregnant women and children.
12. Developing, approving and implementing a medical waste management training plan and comprehensive medical waste management plan of action.

Part D: Community and Civil Society Initiatives

Provision of CCSI Grants for the financing of CCSI Subprojects to be carried out by Participating Private Sector Agencies for HIV/AIDS prevention and care related activities, including, but not limited to: (i) information education and communication and behavioral

change communication campaigns; (ii) support to high-risk groups such as commercial sex workers and vulnerable groups subject to sexual abuse and discrimination; (iii) youth-related activities; (iv) activities which support orphans and other vulnerable children, including street children; (v) counseling for various interventions to prevent mother-to-child transmission, including infant feeding support; (vi) condom supply, distribution and dissemination; (vii) voluntary testing, counseling, and management of opportunistic infections; (viii) literacy programs with reproductive health content; (ix) assistance to CCSI Subproject partners in management, supervision and beneficiary assessment; and (x) care provided by traditional healers.

The Project is expected to be completed by July 31, 2006.

SCHEDULE 3

Procurement

Section I. Procurement of Good and Works

Part A: General

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

Part B: International Competitive Bidding

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

(a) Grouping of contracts

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

(b) Preference for domestically manufactured goods

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

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods and works estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$300,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International or National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$ 800,000 equivalent may be procured under contracts awarded either on the basis of national shopping procedures or international shopping procedures, depending on local availability, in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Limited International Bidding

Condoms and other goods may be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

4. Procurement from UN Agencies

Contracts for medical drugs, condoms and equipment, office equipment and vehicles not exceeding the equivalent of \$100,000 each may be procured from the Interagency Procurement Services Office, United Nations Children's Fund, United Nations Fund for Population Activities, World Food Program, or World Health Organization in accordance with the provisions of paragraph 3.9 of the Guidelines.

5. Community Participation

Goods and works required for Part D of the Project may be procured following the provisions of paragraph 3.15 of the Guidelines and in accordance with procedures acceptable to the Association, including the Bank's Simplified Procurement and Disbursement Procedures.

6. Procurement of Small Works

Works estimated to cost less than \$50,000 equivalent per contract, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3)

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

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

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

(b) With respect to each contract under the CCSI Grants estimated to cost the equivalent of \$50,000 or more, prior to the execution of the contract, the Borrower shall provide to the Association the contract together with all supporting documents for prior review.

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

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.

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 all assignments estimated to cost less than \$50,000 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 financial auditing only 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

Consultants' services estimated to cost less than \$30,000 for firms and \$15,000 for individuals equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Service Delivery Contractors

Services to be provided by social workers/medical personnel under Parts B and C of the Project shall be procured in accordance with procedures acceptable to the Association.

4. Individual Consultants

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

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

1. Selection Planning

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

2. Prior Review

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

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

3. Post Review

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

SCHEDULE 4

Implementation Program

A. Project Operations Manual and Project Implementation Plan

The Borrower shall prepare and furnish to the Association a Project Implementation Plan and a Project Operations Manual for the Project, in form and substance satisfactory to the Association. Except as the Association shall otherwise agree, no provisions of the PIP or POM 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.

B. Institutional Arrangements

1. For the purpose of general oversight of the Project, the Borrower shall establish the NAC within its Office of the President and maintain NAC until the completion of the Project. NAC shall, among other things: (i) have oversight of the Borrower's HIV/AIDS Policy/Strategy and Plan of Action; (ii) define broad priorities of action for the Project; (iii) review the progress towards achieving the Project's objectives, including the Project's annual agreed Work Plans, participating Line Ministry Work Plan Agreements and CCSI Subprojects; and (iv) monitor national performance in responding to the HIV/AIDS epidemic, including that of the health sector.

2. For the purposes of coordinating and supervising the day-to-day activities under the Project, the Borrower shall establish and maintain until completion of the Project, NAS under the supervision of NAC. NAS shall be adequately staffed with persons having qualifications and

experience and terms of reference acceptable to the Association, including: (i) a Director; (ii) a Deputy Director; (iii) a Planning, Monitoring and Evaluation Specialist; (iv) a Line Ministry Coordinator; (v) a Capacity Development Specialist; (vi) an IEC/BCC Coordinator; and (vii) appropriate support staff.

3. NAS shall be responsible for: (i) overall coordination regarding the implementation of the different Parts of the Project; (ii) regular monitoring and evaluation of all Parts of the Project; (iii) the approval of annual Work Plan agreements and CCSI Subprojects; and (iv) the financial and administrative management of the Project.

4. The Borrower shall establish and maintain an HIV/AIDS office in each Participating Public Sector Agency which will serve as its focal point in the coordination of HIV/AIDS related activities.

5. The Financial/Procurement Management Agent shall assist in the implementation of the Project through the carrying out of: (i) the financial management of Project activities, including the accounting and disbursement requirements thereof; (ii) the review and approval of annual Work Plans and CCSI Subprojects in conjunction with NAS; and (iii) reporting requirements and monitoring activities.

6. The Borrower shall appoint an Intervention Management Agent with experience, qualifications and terms of reference satisfactory to the Association to process CCSI applications for CCSI Subprojects estimated to cost the equivalent of \$25,000 or less, and to monitor the progress of such CCSI Subprojects, where approved.

C. Implementation Arrangements

1. The Borrower shall carry out the Project in accordance with the PIP and the POM.

2. In carrying out Parts B and D of the Project, the Borrower shall apply the procedures and guidelines set out in the POM including, but not limited to the eligibility criteria set out in Section D of this Schedule.

D. Eligibility Criteria

1. The following types of Work Plans shall be eligible for financing out of the proceeds of the Credit under Parts B and D of the Project:

(a) provision to staff of Participating Public Sector Agencies, or their dependents, of HIV/AIDS related services and supplies including HIV/AIDS and STI education, condoms, and other support which encourages avoidance behavior and, for those already infected or otherwise affected by HIV/AIDS, care related support;

(b) provision to clients of Participating Public Sector Agencies or their dependents of HIV/AIDS related services and supplies including HIV/AIDS and STI education, condoms, and other support which encourages avoidance behavior and, for those already infected or

otherwise affected by HIV/AIDS, care related support; or

(c) provision of assistance to the Beneficiary Communities to design, appraise, and implement CCSI Subprojects under Part D of the Project.

2. The types of CCSI Subprojects referred to in Part D of the Project shall be eligible for financing out of the proceeds of the Credit, including the provision to Beneficiary Communities of HIV/AIDS related services and supplies including HIV/AIDS and STI education, condoms, and other support which encourages avoidance behavior and, for those already infected or otherwise affected by HIV/AIDS, care related support.

3. In order for a CCSI Subproject or a Work Plan to be eligible for financing, it must be compatible with the policy and priorities of the Project and take into account the performance indicators set out in the POM and must include an itemized budget and work plan.

E. Procedures for Work Plan Agreements

1. Work Plan agreements shall be reviewed and approved by NAC (or its designated agent) all in accordance with eligibility criteria set forth in the PIP and POM; and

2. Work Plan agreements shall take into account the policy and priorities of the Project and the key performance indicators described in the PIP and POM.

F. Procedures for CCSI Subprojects

1. Applications for CCSI Subprojects estimated to cost the equivalent of \$25,000 or less (Small CCSI Subprojects) shall be submitted by Participating Private Sector Agencies and shall be reviewed and approved by IMA, in conjunction with NAS, in accordance with eligibility criteria set forth in the PIP and POM;

2. CCSI Subproject applications for CCSI Subprojects estimated to cost more than \$25,000 equivalent (Large CCSI Subprojects) shall be submitted by NaCSA, or such other entity as may be agreed between the Borrower and the Association, and shall be reviewed and approved by NAS in accordance with eligibility criteria set forth in the PIP and POM; and

3. CCSI Subproject applications which fail the eligibility criteria may be referred to NAS for capacity development, support and technical assistance.

G. Terms and Conditions of Work Plan Agreements and CCSI Grant Agreements

1. In financing a Work Plan or a Large CCSI Subproject, NAS shall enter into a Work Plan Agreement with the relevant Participating Public Sector Agency or into a CCSI Grant Agreement with the relevant Participating Private Sector Agency. In financing a Small CCSI Subproject, the

IMA, as designated agent of NAS, shall enter into a CCSI Grant agreement with the relevant Participating Private Sector Agency as set out in the CCSI Manual. The said agreements shall set forth the respective obligations of the parties, all under terms and conditions acceptable to the Association, which shall include the following:

(a) that the financing of the Work Plan or CCSI Subproject shall be on a non-reimbursable grant basis and that NAS or the IMA shall take all measures and actions necessary to permit the Participating Public Sector Agency or the Participating Private Sector Agency to carry out the Work Plan or CCSI Subproject and ensure the achievement of the objectives thereof, and, subject to the fulfillment by the Participating Public Sector Agency or the Participating Private Sector Agency of its obligations under the agreement, shall not take or permit to be taken any action which would prevent or interfere with the carrying out of the Work Plan or CCSI Subproject;

(b) in the case of CCSI Subprojects, that a Participating Private Sector Agency shall contribute in cash or in kind approximately 10% of the cost of a Small CCSI Subproject and 20% of the cost of a Large CCSI Subproject;

(c) that the Participating Public Sector Agency or Participating Private Sector Agency shall carry out the Work Plan or CCSI Subproject, as the case may be, with due diligence and efficiency, and in accordance with the POM and with sound technical, financial, health, social and medical practices and standards and shall maintain adequate financial and other records;

(d) that the goods, works and services to be financed out of the proceeds of the Work Plan agreement or the CCSI Grant agreement shall be procured in conformity with the provisions set forth in Schedule 3 to this Agreement and that such goods, works and services shall be used exclusively in the carrying out of the Work Plan or CCSI Subproject;

(e) that: (i) technical and financial reports on the implementation of the Work Plan or CCSI Subproject shall be furnished quarterly to NAS or the IMA for review; and (ii) during the last review for the period concerned, the Work Plan or CCSI Subproject plan and budget for the following year shall be furnished to NAS for review and approval;

(f) that the Participating Private Sector Agency shall take out and maintain with responsible insurers, or make other satisfactory provision for, insurance against such risks and in such amounts as shall be consistent with appropriate practices;

(g) that NAC, NAS, or its designee, as the case may be, shall have the right to inspect by itself or jointly with the Association the services included in the Work Plan or the CCSI Subproject and any record or relevant document;

(h) that the Participating Public Sector Agency or Participating Private Sector Agency shall, at the request of NAC, NAS, or its designee, as the case may be, exchange views with the NAC or the IMA with regard to the progress of the Work Plan or the CCSI Subproject and the achievement of the objectives thereof, and the performance by the Participating Public Sector Agency or Participating Private Sector Agency of its obligations under the relevant Agreement;

(i) that the Participating Public Sector Agency or Participating Private Sector

Agency shall promptly inform NAC, NAS, or its designee, as the case may be, of any condition which interferes or threatens to interfere with the implementation of the Work Plan or the CCSI Subproject and the achievement of the objectives thereof; and

(j) that NAC, NAS, or its designee, as the case may be, shall have the right to suspend or terminate the right of a Participating Public Sector Agency or the Participating Private Sector Agency to use the proceeds of the Credit upon failure by the Participating Public Sector Agency or the Participating Private Sector Agency to perform any of its obligations under the Work Plan agreement or the CCSI Grant agreement.

H. Dated covenants

1. The Borrower shall, not later than 90 days after the end of each calendar year during the duration of the Project, furnish to the Association a Project annual progress report and a supervision action plan for the Project.

2. The Borrower shall, by September 15, 2002, adopt the CCSI Manual in form and substance acceptable to the Association.

I. Reviews

1. The Borrower shall:

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

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about April 1 in each year during Project implementation, 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 April 30 of each year, or such later date as the Association shall request, 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.

2. The Borrower shall on or about twenty four months after the Effective Date, carry out jointly with the Association a midterm review of the progress made in carrying out the Project

(hereinafter referred to as the Midterm Review).

- (a) The Midterm Review shall cover, amongst other things:
 - (i) progress made in meeting the Project's objectives;
 - (ii) results of the monitoring and evaluation activities under the Project; and
 - (iii) overall Project performance against Project performance indicators.

(b) The Borrower shall, at least four weeks prior to the Midterm Review, furnish to the Association a separate report describing the status of implementation of each component of the Project and a summary report of Project implementation generally.

(c) The Borrower shall, not later than four weeks after the Midterm Review, prepare an action program, acceptable to the Association, for the further implementation of the Project having regard to the findings of the Midterm Review and, thereafter, implement such action program.

SCHEDULE 5

Performance Indicators

For purposes of this Agreement, the Borrower agrees that Project performance will be measured by the indicators below as of December 31, 2006 unless otherwise agreed by the Association.

Output Indicators

1. by the Closing Date, at least 12 HIV/AIDS sentinel populations are regularly surveyed both with regard to behavioral and biological aspects;
2. by the Closing Date, 100% of functioning referral and regional hospitals, 80% of functioning district hospitals, and 30% of all functioning health centers provide: a) opportunistic infection treatment and care, b) improved safety injection programs, and c) effective medical waste management programs;
3. by the Closing Date, at least 1 site providing HIV/AIDS infected pregnant women and newborns with mother-to-child-transmission prevention services will be operating in every District;
4. by the Closing Date, at least 20 organizations are providing counseling, care, and support services to PLWHA families as well as orphans and vulnerable children;
5. by the Closing Date, at least 500 Participating Public Sector Agency and Participating

Private Sector Agency staff have been trained in HIV care and prevention and are active peer educators.

Process Indicators

6. by December 31, 2004 the Borrower's HIV/AIDS national policy is being systematically implemented by the NAC and the NAS, reviewed on an annual basis, consistent with the strategic planning process;

7. by the Closing Date, at least 75% of all Participating Public Sector Agencies have incorporated HIV/AIDS prevention activities in their annual work plans and budgets, and have core teams in place;

8. by the Closing Date, at least 50 Large CCSI Subprojects and 900 Small CCSI Subprojects are being carried out.

Outcome Indicators

9. by the Closing Date, 70% of youth, women, commercial sex workers, uniformed services, and ex-combatants can cite at least two major modes of HIV/AIDS transmission and at least two methods of protection;

10. by the Closing Date, 30% of youth use condoms at sexual debut, 35% of adults use condoms in their last casual sex act, and 50% of adults use condoms in their last commercial sex act.

SCHEDULE 6

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) (a), (2) (a), (3) (a), (4) and (5) (a) set forth in the table in paragraph 1 of Schedule 1 to this Agreement in respect of Parts A, B and D of the Project and Categories (1) (b), (2) (b), (3) (b) and (5) (d) set forth in said table in respect of Part C of the Project.

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

(c) the term "Authorized Allocation" means an amount equivalent to \$1,000,000 in

respect of the Main Special Account and an amount equivalent to \$500,000 in respect of the MOHS Special Account, to be withdrawn from the Credit Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$500,000 in respect of the Main Special Account and an amount equivalent to \$250,000 in respect of the MOHS Special Account, until (i) in respect of the Main Special Account, the aggregate amount of withdrawals from the Credit Account allocated to Categories (1) (a), (2) (a), (3) (a), (4) and (5) (a) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Parts A, B and D of the Project shall be equal to or exceed the equivalent of SDR 2,000,000, and (ii) in respect of the MOHS Special Account, the aggregate amount of withdrawals from the Credit Account allocated to Categories (1) (b), (2) (b), (3) (b) and (5) (d) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Part C of the Project shall be equal to or exceed the equivalent of SDR 1,000,000.

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

3. After the Association has received evidence satisfactory to it that the respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective Special Account shall be made as follows:

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

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

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

4. For each payment made by the Borrower out of the respective Special Account, the

Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

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

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

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

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

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

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

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

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

outstanding amount.

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

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

