

CONFORMED COPY

CREDIT NUMBER 3584 CA

Development Credit Agreement

(Multisectoral HIV/AIDS Project)

between

CENTRAL AFRICAN REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 14, 2001

CREDIT NUMBER 3584 CA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated December 14, 2001, between CENTRAL AFRICAN REPUBLIC (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

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

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

(D) the Association has received from the Borrower the following policy documents, namely, an analysis report on HIV/AIDS dated February, 2001, the interim Health Plan 2000-2002, and the national Action Plan for the mobilization of Leaders dated April 2001, all three containing details of the design and content of the Borrower's national response to the HIV/AIDS epidemic that was jointly prepared by

development partner agencies under the leadership of the National Committee against HIV/AIDS ("CNLS") (said documents being hereinafter referred to as the "Program") and declaring the Borrower's commitment to the execution of the Program; 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), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement.

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

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

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

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

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

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

(b) "Action Plan" means any document describing a set of activities to fight against the HIV/AIDS epidemic carried out by a Community, a CSO or a PSO;

(c) "CFA Franc" or "CFAF" means Franc de la Coopération Financière en Afrique Centrale, the currency of the Borrower;

(d) "Clinical Waste Management Plan" means the plan for the management of hazardous health/medical waste under the Project, referred to in paragraph 1 of Schedule 4 to this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Clinical Waste Management Plan;

(e) "Community" means a rural or urban community group established and operating under the laws of the Borrower, a village in rural areas or any social group in urban areas with strong common social, professional or religious bonds (usually having less than 1,000 members), which has met the eligibility criteria set out in the Project Implementation Manual and the requirements of Schedule 4 to this Agreement and, as a result, has received or is entitled to receive a Grant (as hereinafter defined) through a Grant Agreement (as hereinafter defined) for the carrying out of a Subproject;

(f) "CSO" means a civil society organization established and operating under the laws of the Borrower, including religious organizations, professional and

non-professional associations, private firms and NGOs involved in the fight against HIV/AIDS;

(g) "Core Ministries" means MOHP, MOE, MOD, MOI, MOWSS and MORD (as hereinafter defined), the Borrower's ministries that have prepared Action Plans in accordance with paragraph 3 of Schedule 4 to this Agreement;

(h) "CNLS" means Comité National de Lutte contre le SIDA, the Borrower's national committee to fight against HIV/AIDS, established and operating pursuant to the Borrower's Decree No. 01-032 dated January 26, 2001;

(i) "CNLS Bureau" means the Executive Bureau of the CNLS, the technical and executive body of the CNLS established and operating pursuant to the Borrower's Decree No. 01-032 dated January 26, 2001;

(j) "CNLS FMU" means the Financial Management Unit of the CNLS referred to in paragraph 2 (a) of Schedule 4 to this Agreement;

(k) "CNLS TS" means the Technical Secretariat of the CNLS, the technical and administrative body of the CNLS established and operating pursuant to the Borrower's Decree No. 01-032 dated January 26, 2001;

(l) "CPLS" means any of the Borrower's prefectoral committees to fight against HIV/AIDS (Comité Préfectoral de Lutte contre le SIDA), established in each of the Borrower's Préfectures and operating pursuant to the Borrower's Decree No. 01-032 dated January 26, 2001;

(m) "Eligible Categories" means: (i) Category (5) set forth in the table in Part A.1 of Schedule 1 to this Agreement in respect of Special Account A; and (ii) Categories (1), (2), (3), (4) and (6) set forth in the table in Part A.1 of Schedule 1 to this Agreement in respect of Special Account B;

(n) "Eligible Expenditures" means the expenditures for goods and services referred to in Section 2.02 (a) of this Agreement;

(o) "Financial and Accounting Procedures Manual" means the manual to be adopted pursuant to Section 6.01 (c) of this Agreement outlining financial and accounting procedures and guidelines to be followed in the implementation of the Project;

(p) "Financing Agreement" means an agreement supporting an Action Plan and referred to in paragraph 5 of Schedule 4 to this Agreement;

(q) "Grant Agreement" means an agreement supporting a Subproject and referred to in paragraph 4 of Schedule 4 to this Agreement;

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

(s) "Initial Deposit" means the amount to be deposited in the Project Account pursuant to Section 3.02 (b) of this Agreement;

(t) "Mid-Term Review" means the mid-term review referred to in paragraph 7 of Schedule 4 to this Agreement;

(u) "Monitoring and Evaluation Manual" means the manual to be adopted pursuant to Section 6.01 (c) of this Agreement outlining monitoring and evaluation procedures and guidelines to be followed in the implementation of the Project;

(v) "MOB" means Municipality of Bangui;

(w) "MOD" means the Borrower's Ministry responsible for defense;

(x) "MOE" means the Borrower's Ministry responsible for education;

(y) "MOF" means the Borrower's Ministry responsible for economy and finance;

(z) "MOHP" means the Borrower's Ministry responsible for health and population;

(aa) "MOI" means the Borrower's Ministry responsible for interior affairs;

(bb) "MORD" means the Borrower's Ministry responsible for rural development;

(cc) "MOWSS" means the Borrower's Ministry responsible for women and social services;

(dd) "NGOs" means non-governmental organizations established and operating under the laws of the Borrower;

(ee) "Partner" means a CSO which has met the eligibility criteria set out in the Project Implementation Manual and the requirements of Schedule 4 to this Agreement and, as a result, has received or is entitled to receive, a financial support through a Financial Agreement for the carrying out of an Action Plan;

(ff) "PLWH" means people living with HIV/AIDS;

(gg) "PSO" means a public sector organization, including Ministries and public agencies existing and operating under the laws of the Borrower;

(hh) "Préfecture" means any of the sixteen (16) administrative areas of the Borrower's territory and "Préfectures" means all of these areas;

(ii) "Program" means collectively the Borrower's analysis report on HIV/AIDS dated February, 2001, the interim Health Plan 2000-2002, and the national Action Plan for the mobilization of Leaders dated April 2001, all three containing details of the design and content of the Borrower's strategy against the HIV/AIDS epidemic;

(jj) "Project Account" means the account to be opened pursuant to Section 3.02 of this Agreement;

(kk) "Project Implementation Manual" means the manual to be adopted pursuant to Section 6.01 (b) of this Agreement, outlining policies, procedures and guidelines to be followed in the implementation of the Project;

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

(mm) "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 April 2, 2001 and on behalf of the Borrower on April 23, 2001;

(nn) "Special Account A" means the Special Account opened for Grants for Community Subprojects pursuant to Part B.2 of Schedule 2 to this Agreement;

(oo) "Special Account B" means the Special Account opened for withdrawals in respect of expenditures made under the Project other than Subproject expenditures pursuant to Part B.2 of Schedule 2 to this Agreement;

(pp) "Special Accounts" means Special Account A and Special Account B;

(qq) "STDs" means sexually transmitted diseases;

(rr) "Subproject" means a specific Action Plan carried out by a Community and financed, or proposed to be financed, through a grant under the Project; and

(ss) "UCM" means Unité de Cession du Médicament, the Borrower's national central Medicine Procurement Agency, created by the Borrower and operating pursuant to Decree No. 94-185, dated May 28, 1994.

## 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 thirteen million three hundred thousand Special Drawing Rights (SDR 13,300,000).

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)

amounts paid (or, if the Association shall so agree, amounts to be paid) by the Borrower on account of withdrawals made under a Grant to meet the reasonable costs of goods, works and services required for a Subproject in respect of which the withdrawal from the Credit Account is requested; and (ii) 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.

(b) 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 June 30, 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 December 15 and June 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 December 15 and June 15 commencing December 15, 2011 and ending June 15, 2041. Each installment to and including the installment payable on June 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 French Republic is hereby specified for the purposes of Section 4.02 of the General Conditions.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through CNLS with due diligence and efficiency and in conformity with appropriate administrative, financial, environmental and public health practices, and shall provide, or cause to be provided, 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 Project Implementation Manual set forth in Schedule 4 to this Agreement.

Section 3.02. Without limitation to its obligations under Section 3.01 of this Agreement, the Borrower shall for the purposes of the Project:

(a) open and maintain in CFAF in the name of CNLS an account (the Project Account) in a bank acceptable to the Association on terms and conditions satisfactory to the Association;

(b) deposit into the Project Account an initial amount equivalent to CFAF one hundred forty million (CFAF 140,000,000) (the Initial Deposit);

(c) thereafter deposit into the Project Account, by January 31 in each year during Project implementation, an amount or amounts equal to a total of CFAF two hundred ten million (CFAF 210,000,000) or such greater amount or amounts as may be required for the purposes of the Project; and

(d) ensure that amounts deposited into the Project Account pursuant to paragraphs (b) and (c) above shall be used only to make payments to meet expenditures made or to be made in respect of the reasonable cost of goods and services for the Project and not financed or to be financed by the Credit.

Section 3.03. 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 3.04. 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 future achievement of the objectives of the Project; and

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

### ARTICLE IV

## Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Accounts for each fiscal year audited, in accordance with appropriate auditing principles 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, the 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 said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the Project Management Reports or statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound Action Plan acceptable to the Association for the strengthening of its financial management system for the Project in order to enable the Borrower, not later than 18 months after the Effective or such later date as the Association shall agree, to prepare quarterly Project Management Reports, acceptable to the Association, each of which:

- (i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;
- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under the Project and

expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

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

#### ARTICLE V

##### Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely that a situation has 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 the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the CNLS Bureau, the CNLS TS and the CNLS FMU have been established, each in a form and with functions, staffing and resources satisfactory to the Association;

(b) the Project Account has been opened and the Initial Deposit deposited therein;

(c) the Borrower has adopted: (i) the Project Implementation Manual; (ii) the Financial and Accounting Manual; (iii) the Monitoring and Evaluation Manual; (iv) a procurement plan for the first Project Year; and (v) a Clinical Waste Management Plan; all in form and substance satisfactory to the Association;

(d) the Borrower has, in accordance with the provisions of Section II of Schedule 3 to this Agreement, employed a firm acceptable to the Association to be responsible for the carrying out of Project audits; and

(e) the Borrower's Core Ministries have presented Action Plans to fight against HIV/AIDS, in form and substance acceptable to the Association. Section 6.02. The date ninety days (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 of the Borrower at the time responsible for economy, planning and international cooperation is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Ministère de l'Economie, du Plan et  
de la Coopération Internationale  
P.O. Box 696  
Bangui  
République Centrafricaine



Facsimile:

(236) 61 73 87

For the Association:

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

Cable address:

INDEVAS  
Washington, D.C.

Telex:

248423 (MCI) or  
64145 (MCI)

Facsimile:

(202) 477-6391

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

CENTRAL AFRICAN REPUBLIC

By /s/ Emmanuel Touaboy

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo

Regional Vice President  
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

A. General

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Works	160,000	90%
(2) Goods:		100% of foreign expenditures and 90% of local expenditures
(a) vehicles, motorcycles and equipment	2,800,000	
(b) drugs, tests and	1,560,000	

	reagents		
(3)	Consultants' services and audits	1,600,000	100% of foreign expenditures and 90% of local expenditures
(4)	Training	970,000	100% of amounts disbursed
(5)	Grants for Community Subprojects	3,900,000	100% of amounts disbursed
(6)	Operating costs	660,000	90%
(7)	Refunding of Project Preparation Advance	350,000	Amount due pursuant to Section 2.02 (b) of this Agreement
(8)	Unallocated	1,300,000	
	TOTAL	13,300,000	

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; provided, however, that, if the currency of the Borrower is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be "foreign expenditures";

(c) the term "Operating costs" means the incremental expenses incurred on account of Project implementation, including office furniture and supplies, vehicle operation and maintenance, communication and insurance costs (excluding social insurance and contribution), rental expenses, office maintenance costs, utilities, travel cost for Project staff and salaries of support contractual staff for the Project, excluding salaries of officials of the Borrower's civil service; and

(d) the term "training" means per diems for the participants to training sessions, as well as food and drinks served during the sessions.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) a grant under Category (5) to a Community under a Grant Agreement unless the Grant Agreement has been made in accordance with eligibility criteria and on terms and conditions set forth or referred to in the Project Implementation Manual and the provisions of paragraph 4 of Schedule 4 to this Agreement;

(b) an expense under Categories (1), (2), (3), (4) and (6) to a Partner under a Financing Agreement unless the Financing Agreement has been made in accordance with eligibility criteria and on terms and conditions set forth or referred to in the Project Implementation Manual and the provisions of paragraph 5 of Schedule 4 to this Agreement; and

(c) payments made for expenditures prior to the date of this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (i) goods and works under contracts costing less than \$100,000 equivalent each; (ii) consultant services under contracts costing less than (A) \$100,000 equivalent each for consulting firms, and (B) \$50,000 equivalent each for individual consultants; and (iii) Subprojects, work program agreements, training and Operating costs, all under such terms and conditions

as the Association shall specify by notice to the Borrower.

B. Special Accounts

1. The Borrower shall open and maintain in a commercial bank and on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment, two separate special deposit accounts in CFAF. The first such special deposit account (Special Account A) shall be used for withdrawals made in respect of Subprojects carried out by Communities pursuant to paragraph 4 of Schedule 4 to this Agreement. The second such special deposit account (Special Account B) shall be used for all other withdrawals made for expenditures under the Project.

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

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

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

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

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

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

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

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

5. The Association shall not be required to make further deposits into any Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Accounts may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Association determines at any time that any payment out of any Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the said 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 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 determines at any time that any amount outstanding in any Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

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

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

#### Annex A to SCHEDULE 1

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

1. For the purposes of this Annex:

(a) the term "Authorized Allocation" means: (i) in respect of Special Account A, an amount equivalent to CFAF 350,000,000 to be withdrawn from the Credit Account and deposited into Special Account A pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to CFAF 175,000,000, until the aggregate amount of withdrawals from the Credit Account of amounts allocated to Special Account A's Eligible Categories, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of amounts allocated to said Categories, shall equal or exceed the equivalent of \$1,000,000; and (ii) in respect of Special Account B, an amount equivalent to CFAF 500,000,000 to be withdrawn from the Credit Account and deposited into Special Account B pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to CFAF 250,000,000, until the aggregate amount of withdrawals from the Credit Account of amounts allocated to Special Account B's Eligible Categories, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of amounts allocated to said Categories, shall equal or exceed the equivalent of \$1,500,000.

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

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

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

3. The Association shall not be required to make further deposits into a Special

Account, once the total unwithdrawn amount of the Credit allocated to said Special Account's Eligible Categories minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of expenditures to be financed out of the proceeds of the Credit allocated to said Categories, shall equal the equivalent of twice the amount of the said Special Account's Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to said Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the said Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

#### Annex B to SCHEDULE 1

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

1. Except as the Association may otherwise specify by notice to the Borrower, all withdrawals from the Credit Account shall be deposited by the Association into the respective Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into a Special Account shall be withdrawn by the Association from the Credit Account under one or more of the said Special Account's Eligible Categories.
2. Each application for withdrawal from the Credit Account for deposit into a Special Account shall be supported by a Project Management Report.
3. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in the said Special Account, shall not exceed the equivalent of: (i) CFAF 350,000,000 in respect of Special Account A; and (ii) CFAF 500,000,000 in respect of Special Account B.

#### SCHEDULE 2

##### Description of the Project

The objectives of the Project are to assist the Borrower in: (i) reducing HIV/AIDS prevalence within its territory; and (ii) mitigating the impact of HIV/AIDS on persons infected with or affected by HIV/AIDS within its territory.

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: Strengthening of Public Sector Response

1. Assisting MOHP to improve access to priority HIV/AIDS services and strengthen support functions through, inter alia: (i) the supervision and training of health staff and traditional healers on HIV/AIDS; (ii) the acquisition of equipment for HIV testing and the improvement of the quality of pre- and post-test counseling; (iii) the promotion of early STD diagnosis and treatment and the promotion of condom use by health staff and traditional healers; (iv) the expansion of treatment for the prevention of mother to child transmission of HIV; (v) the improvement of diagnosis and treatment of opportunistic infections with emphasis on tuberculosis; (vi) the creation and improvement of health information systems including epidemiological surveillance systems; (vii) the creation of decentralized management of basic health care services; (viii) the support to associations providing assistance to staff and their families infected and affected (PLWHA, orphans, widows); and (ix) the systematic involvement of traditional healers in HIV/AIDS programs including the creation of an

intensive collaborative pilot initiative; all through the provision of technical advisory services and the acquisition of goods and equipment.

2. Assisting and strengthening the capacity of Core Ministries, MOB, UCM and all relevant PSO at the national and regional level, for HIV/AIDS prevention and control activities carried out in the public sector, including the preparation and execution of Action Plans detailing, among other things, the measures to be taken by the public sector staff and the population they serve to initiate or strengthen their fight against HIV/AIDS, including: (i) launching, coordinating and sustaining the HIV/AIDS control, prevention and analysis activities; (ii) mobilizing on behavioral changes; (iii) supporting PLWHA associations (including youth, orphans and widows); (iv) expanding counseling and anonymous testing services; (v) conducting workshops and information campaigns on the impact of the HIV/AIDS epidemic and producing training manuals and booklets on HIV/AIDS; (vi) promoting the use of condoms through social marketing; (vii) assisting communities in preparing and implementing community Action Plans; (viii) reviewing and, as necessary, reforming relevant laws and regulations; and (ix) preparing gender-responsive sectors-specific HIV/AIDS communication plans in Core Ministries; all through the provision of technical advisory services, the execution of works for office building and the acquisition of goods and equipment.

Part B: Strengthening Civil Society Sector Response

1. (a) Supporting CSOs' Action Plans to fight against HIV/AIDS through the acquisition of goods and equipment; and (b) contracting out to CSOs, using multi-year performance-based contracts for the provision of services, for the purchase of goods deemed necessary to the fight against HIV/AIDS or for the preparation and implementation of community Action Plans, and for the execution of community based HIV/AIDS preventive activities and initiatives, including training activities.

2. Supporting the implementation and execution of community Subprojects through community grants approved in accordance with the Project Implementation Manual.

Part C: Support to Project Coordination, Management, Monitoring and Evaluation

1. Strengthening the capacity of CNLS Bureau, CNLS TS, CNLS FMU, and CPLS to carry out and implement a coordination, management, monitoring and evaluation framework for the Project through the provision of technical advisory services, training, the acquisition of goods, equipment and vehicles, and the execution of works for office rehabilitation.

2. Contracting out to external agencies and/or consulting entities to: (i) monitor and evaluate activities to ensure an independent analysis and the tracking of Program performance against targets and variations in accordance with the protocols set forth or referred to in the Monitoring and Evaluation Manual; (ii) handle accounting, financial reporting, procurement and disbursement functions for the CNLS FMU; and (iii) carry out project audits.

\* \* \*

The Project is expected to be completed by December 31, 2005.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: General

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

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

Part B: International Competitive Bidding

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.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Office supplies, equipment and materials estimated to cost \$20,000 equivalent or more but less than \$100,000 per contract, up to an aggregate amount not to exceed \$1,100,000 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

Small office equipment and furniture, medical products and equipment as well as printed and training materials estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$1,500,000 equivalent, may be procured in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines under contracts awarded on the basis of: (i) national shopping procedures, if available locally; or (ii) international shopping procedures, if not available locally.

3. Direct Contracting

(a) Spare parts for vehicles, bicycles and motorcycles, minor off-the-shelf items and other specialist equipment costing \$5,000 equivalent or less per contract, up to an aggregate amount not to exceed \$1,000,000 equivalent, may be procured, with the Association's prior agreement, from a particular manufacturer or an authorized local supplier in accordance with the provisions of paragraph 3.7 of the Guidelines.

(b) Proprietary items such as HIV rapid tests costing \$5,000 equivalent or less per contract, up to an aggregate amount not to exceed \$600,000 equivalent, may be procured, with the Association's prior agreement, from a particular manufacturer or an authorized local supplier in accordance with the provisions of paragraph 3.7 of the Guidelines.

4. Procurement from UN Agencies

Motorcycles, vehicles, bicycles and computers, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured from the Inter-Agency Procurement Services Office of the United Nations (IAPSO), in accordance with the provisions of paragraph 3.9 of the Guidelines.

5. Community Participation

Goods and works required for Subprojects shall be procured in accordance with procedures acceptable to the Association and defined in the Project Implementation Manual.

6. Procurement of Small Works

Works estimated to cost less than \$20,000 equivalent per contract, up to an

aggregate amount not to exceed \$50,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded in accordance with the provisions of paragraph 3.5 of the Guidelines on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

With respect to: (i) each contract for goods estimated to cost the equivalent of \$20,000 or more; and (ii) each of the first contracts for specific classes of Subprojects (as determined by the Borrower and the Association), the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

Part A: General

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

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

Part B: Quality- and Cost-based Selection

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

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants, estimated to cost less than \$20,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

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



paragraphs 3.1 and 3.6 of the Consultant Guidelines.

## 2. Selection Based on Consultants' Qualifications

Services for: (i) the facilitation of community participation in the Project; and (ii) the provision of contracted services under the Project, estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$400,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

## 3. Single Source Selection

The following services may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines, namely:

(a) services for training estimated to cost less than \$10,000 equivalent per contract up to an aggregate amount not to exceed \$200,000 equivalent;

(b) any specific tasks where it is shown that only one firm has the required qualifications and experience for their execution; and

(c) consulting assignments estimated to cost less than \$10,000 equivalent per contract up to an aggregate amount not to exceed \$200,000 equivalent.

## 4. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines (including services for small studies) 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.

### 2. Prior Review

(a) 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 with respect to the following, namely: (i) the contracts for the employment of consultants estimated to cost the equivalent of \$50,000 or more; (ii) the contracts, regardless of value, to be procured in accordance with single source selection procedures; (iii) assignments of a critical nature, as determined by the Association; (iv) proposed amendments to contracts raising the contract value above the prior review thresholds established under this Section II; and (v) the first two contracts to be signed in each of the Borrower's Préfecture for the facilitation of community participation in the Préfecture.

(b) With respect to each contract for the employment of: (i) consulting firms estimated to cost the equivalent of \$20,000 or more but less than the equivalent of \$50,000; and (ii) individual consultants estimated to cost the equivalent of \$5,000 or more, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

### 3. Post Review

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

## SCHEDULE 4

### Implementation Program

#### 1. General

The Borrower shall carry out the Project in accordance with the Project Implementation Manual, the Financial and Accounting Procedures Manual, the Monitoring and Evaluation Manual and the Clinical Waste Management Plan, and except as the Association shall otherwise agree, shall not amend or waive any provision of these Manuals or of this Plan without the Association's prior written approval. These Manuals and this Plan will not be amended or waived 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.

#### 2. CNLS and CPLS

(a) The Borrower shall maintain CNLS, including CNLS Bureau, CNLS TS and CNLS FMU, and up to sixteen (16) CPLS (once created) in a form and with functions, staffing and resources satisfactory to the Association, in accordance with the Project Implementation Plan.

(b) The Borrower shall cause CNLS at the national level and CPLS at the regional level to carry out the daily facilitation, implementation and coordination of the Project. CNLS and CPLS shall, under arrangements satisfactory to the Association, enter into contracts with PSOs and CSOs for the carrying out by the said entities of, respectively, Parts A and B.1 of the Project.

(c) Not later than March 31, 2002, and thereafter by November 30 of each year, the Borrower shall, through CNLS, furnish to the Association for its review and approval, proposed detailed annual work plans, including training programs and proposed budgets in respect of Project activities for the forthcoming year.

#### 3. Core Ministries

Not later than March 31, 2002, and thereafter by November 30 of each year, the Borrower shall cause its Core Ministries, through CNLS, to furnish to the Association for its review and approval, their annual Action Plan for the forthcoming year.

#### 4. Community Subprojects

(a) Without limitation upon the provisions of paragraph 1 above, no Subproject shall be eligible for financing under a grant out of the proceeds of the Credit unless CNLS or the concerned CPLS has determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the Project Implementation Manual, that the Subproject satisfies the eligibility criteria specified below and in more detail in the Project Implementation Manual, which shall include the following:

- (i) the Subproject shall be for any of the types of activities referred to in Part B.2 of the Project and shall not be for any of the activities mentioned in a negative list in the Project Implementation Manual;
- (ii) the Subproject shall be initiated and implemented by a Community;
- (iii) the Subproject shall be in accordance with the standards specified in the Project Implementation Manual; and
- (iv) the Subproject shall be in compliance with the standards set forth in the applicable laws and regulations of the Borrower relating to its HIV/AIDS Program.

(b) Subprojects shall be carried out pursuant to Grant Agreements, to be concluded between the Borrower through CNLS or the concerned CPLS and the Community,

under terms and conditions satisfactory to the Association, which shall include the following:

- (i) a copy of the approved Subproject, with its budget and its performance indicators;
- (ii) provisions requiring the financing to be made on a grant basis;
- (iii) the obligation to: (A) carry out the Subproject with due diligence and efficiency and in accordance with sound administrative, financial and public health standards and the provisions of the Project Implementation Manual; (B) maintain adequate records to reflect in accordance with simple and sound accounting practices defined in the Project Implementation Manual, the operations, resources and expenditures in respect of the Subproject; and (C) maintain adequate reporting in accordance with the standards specified in the Project Implementation Manual;
- (iv) the requirement that: (A) the goods, works and services to be financed from the proceeds of the Credit shall be procured in accordance with the procedures set forth in Schedule 3 to this Agreement; and (B) such goods, works and services shall be used exclusively in the carrying out of the Subproject;
- (v) the right of the Borrower to inspect, by itself, or jointly with the Association, if the Association shall so request, the goods, works sites, plants and construction included in the Subproject, the operations thereof and any relevant records and documents;
- (vi) the right of the Borrower to obtain all information as the Borrower or the Association shall reasonably request regarding the administration, operations and financial conditions of the Subproject; and
- (vii) the right of the Borrower to suspend or terminate the right of the Community to use the proceeds of the Credit for the Subproject upon failure by the Community to perform any of its obligations under its Grant Agreement.

#### 5. Partners' Action Plans

(a) Without limitation upon the provisions of paragraph 1 above, no Action Plan shall be eligible for financing under a grant out of the proceeds of the Credit unless CNLS or the concerned CPLS has determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the Project Implementation Manual, that the Action Plan satisfies the eligibility criteria specified below and, in more detail, in the Project Implementation Manual, which shall include the following:

- (i) the Action Plan shall be for any of the types of activities referred to Part B.1 (a) of the Project and shall not be for any of the activities mentioned in a negative list in the Project Implementation Manual;
  - (ii) the Action Plan shall be initiated and implemented by a Partner;
  - (iii) the Action Plan shall be in accordance with the standards specified in the Project Implementation Manual; and
  - (iv) the Action Plan shall be in compliance with the standards set forth in the applicable laws and regulations of the Borrower relating to its HIV/AIDS Program.
- (b) Action Plans shall be carried out pursuant to Financing Agreements, to be

concluded between the Borrower through CNLS or the relevant CPLS and a Partner, under terms and conditions satisfactory to the Association, which shall include the following:

- (i) a copy of the approved Action Plan, with its budget and its performance indicators;
- (ii) provisions requiring the financing to be made on a grant basis;
- (iii) the obligation to: (A) carry out the Action Plan with due diligence and efficiency and in accordance with sound administrative, financial, environmental and public health standards and the provisions of the Project Implementation Manual; (B) maintain adequate records to reflect in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Action Plan; and (C) maintain adequate reporting in accordance with the standards specified in the Project Implementation Manual;
- (iv) the requirement that: (A) the goods, works and services to be financed from the proceeds of the Credit shall be procured in accordance with the procedures set forth in Schedule 3 to this Agreement; and (B) such goods, works and services shall be used exclusively in the carrying out of the Action Plan;
- (v) the right of the Borrower to inspect, by itself, or jointly with the Association, if the Association shall so request, the goods, works sites, plants and construction included in the Action Plan, the operations thereof and any relevant records and documents;
- (vi) the right of the Borrower to obtain all information as the Borrower or the Association shall reasonably request regarding the administration, operations and financial conditions of the Action Plan; and
- (vii) the right of the Borrower to suspend or terminate the right of a Partner to use the proceeds of the Credit for the Action Plan upon failure by the Partner to perform any of its obligations under its Grant Agreement.

## 6. Monitoring and Evaluation Reports

The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with performance indicators satisfactory to the Association, and on the basis of annual work plans referred to in the provisions of paragraph 2 (c) above, 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 March 31, 2003, and thereafter on or about March 31 each year, an annual 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 May 31 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.

7. Mid-Term Review

(a) The Borrower shall, no later than December 31, 2003, carry out jointly with the Association, a mid-term review of the progress made in carrying out the Project.

(b) The Borrower shall carry out, no later than one month after the completion of the Mid-Term Review, the recommendations of the Mid-Term Review as agreed with the Association and set out in an Action Plan for the Project satisfactory to the Association.

(c) The Mid-Term Review shall assess the following: (i) the overall progress made in the implementation of the Project; and (ii) the results of the monitoring and evaluation activities.

