

**CONFORMED COPY**

**GRANT NUMBER H099 MLI**

# **Development Grant Agreement**

**(Multi-Sectoral HIV/AIDS Project)**

**between**

**REPUBLIC OF MALI**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated June 24, 2004**

**CONFORMED COPY**

**GRANT NUMBER H099 MLI**

**DEVELOPMENT GRANT AGREEMENT**

AGREEMENT, dated June 24, 2004, between REPUBLIC OF MALI (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received from the Recipient a letter dated April 7, 2004, describing a program of objectives, policies and actions designed to control and prevent the further spread of the HIV/AIDS epidemic (the Program), and declaring the Recipient's commitment to the execution of the Program;

(B) the Recipient, 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;

(C) the Executive Directors of the Association approved, on December 20, 2001, the Second Multi-Country HIV/AIDS Program for the Africa Region with an estimated cost in the amount of US\$500,000,000 over a period of three years;

(D) the Project is part of the Second Multi-Sectoral Program for the Africa Region and the development grant set forth in Section 2.01 of this Agreement (the Grant) is financed under the said program; and

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

NOW THEREFORE, the parties hereto hereby agree as follows:

## ARTICLE I

### General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through October 6, 1999), with the modifications set forth in Schedule 5 to this Agreement (the General Conditions), constitute an integral part of this Agreement.

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

- (a) “AIDS” means the Acquired Immune Deficiency Syndrome;
- (b) “Beneficiary” means a private sector entity selected to participate in Part B of the Project or a CSO (as hereinafter defined) selected to participate in Part C of the Project, as the case may be;
- (c) “CMA” means the contract management agency referred to in paragraph 1 (d) of Schedule 4 to this Agreement, to be recruited by the Recipient to carry out procurement, contract and Subproject (as hereinafter defined) management;
- (d) “CSO” means a civil society organization, established and operating under the laws of the Recipient including community based organizations, faith-based organizations, non-governmental organizations, youth, women’s groups and associations of PLWHA (as hereinafter defined);
- (e) “CSO Subproject” means a specific activity or specific activities that a CSO proposes to carry out under Part C of the Project;
- (f) “CSO Subgrant Agreement” means an agreement to be entered into between HCNLS (as hereinafter defined) and a Beneficiary for the provision of a Subgrant (as hereinafter defined) to be utilized in the implementation of a CSO Subproject under Part C of the Project, and referred to in paragraph 5 (d) of Schedule 4 to this Agreement;
- (g) “FCFA” means the *Franc de la Communauté Financière Africaine*, the currency of the Recipient;

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

(i) “FMA” means the financial management agency referred to in paragraph 1 (d) of Schedule 4 to this Agreement, to be recruited by the Recipient to carry out financial management under the Project, including financial planning and budgeting, accounting, financial reporting and management of the Special Accounts (as hereinafter defined);

(j) “HIV” means the Human Immunodeficiency Virus;

(k) “HCNLS” means the *Haut Conseil National de Lutte contre le SIDA*, the Recipient’s National High Council on HIV/AIDS, established and operating pursuant to the Recipient’s Decree No. 04/0106/P-RM, dated March 31, 2004 (the “HCNLS Decree”);

(l) “MDAs” means the line ministries and other agencies of the Recipient;

(m) “MWMP” means the medical waste management plan dated April 2, 2004, approved by the Association, setting out the measures necessary for the proper management of hazardous waste under the Project;

(n) “MOH” means the Recipient’s Ministry of Health;

(o) “NGO” means a non-governmental organization established and operating pursuant to the Ordinance 41 PCG of March 28, 1959;

(p) “PIP” means the Project implementation plan specifying, *inter alia*, the procedures, timetables, procurement, financial management and other implementation arrangements agreed upon by the Recipient and the Association, as the same may be amended from time to time with the approval of the Association;

(q) “PLWHA” means People Living With HIV/AIDS;

(r) “PIM” means the Project Implementation Manual for the Project, satisfactory to the Association, setting forth, *inter alia*, the financial management and disbursement arrangements, procurement and Subproject (as hereinafter defined) processing procedures, and monitoring and evaluation procedures, as the same may be amended from time to time with the approval of the Association;

(s) "PS Subproject" means a specific activity or specific activities that a private sector entity proposes to carry out under Part B of the Project;

(t) "PS Subgrant Agreement" means an agreement to be entered into between HCNLS and a Beneficiary for the provision of a Subgrant (as hereinafter defined) for the implementation of a PS Subproject under Part B of the Project, and referred to in paragraph 4 (c) of Schedule 4 to this Agreement;

(u) "Procurement Plan" means the Recipient's procurement plan dated May 6, 2004, covering the initial eighteen (18) month-period of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover successive eighteen (18) month-periods of Project implementation;

(v) "Project Preparation Advance" means the project preparation advance granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on March 11, 2004, and on behalf of the Recipient on March 18, 2004;

(w) "Report-based Disbursements" means the Recipient's option for withdrawal of funds from the Grant Account referred to in Part A.7 of Schedule 1 to this Agreement;

(x) "Second Generation Accounts" means the accounts referred to in Part B.8 of Schedule 1 to this Agreement;

(y) "Special Account A" means the special deposit account opened for withdrawals in respect of expenditures made under Part D of the Project, and referred to in Part B.1 of Schedule 1 to this Agreement;

(z) "Special Account B" means the special deposit account opened for withdrawals in respect of expenditures made under Parts A, B and C of the Project, and referred to in Part B.1 of Schedule 1 to this Agreement;

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

(bb) "Subgrant" means a Subgrant made, or to be made, out of the proceeds of the Grant, to finance a CSO Subproject or a PS Subproject, as the case may be; and

(cc) "Subproject" means a CSO Subproject or a PS Subproject, and Subprojects shall mean such Subprojects collectively.

## ARTICLE II

### The Grant

Section 2.01. The Association agrees to make available to the Recipient a grant, on the terms and conditions set forth or referred to in this Agreement, in an amount in various currencies equivalent to seventeen million six hundred thousand Special Drawing Rights (SDR 17,600,000).

Section 2.02. (a) The amount of the Grant may be withdrawn from the Grant 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 carrying out the Project and to be financed out of the proceeds of the Grant; and (ii) amounts paid (or if the Association shall so agree, amounts to be paid) by the Recipient on account of withdrawals made for the benefit of a Beneficiary to meet the reasonable cost of goods, works and services required for the Subprojects to be financed under Parts B and C of the Project, and in respect of which the withdrawal from the Grant Account is requested.

(b) Promptly after the Effective Date, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and pay 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 cancelled.

Section 2.03. (a) The Recipient shall pay to the Association a commitment charge on the principal amount of the Grant not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Recipient from the Grant Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.04 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Recipient; and (iii) in United States Dollars, or in such other

eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of Section 4.02 of the General Conditions.

Section 2.04. Commitment charges shall be payable semiannually on May 31 and November 30 in each year.

Section 2.05. The Closing Date shall be July 31, 2009 or such later date as the Association shall establish. The Association shall promptly notify the Recipient of such later date.

### **ARTICLE III**

#### **Execution of the Project**

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

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

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

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

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

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six months after the Closing Date or such later

date as may be agreed for this purpose between the Recipient and the Association, a plan designed to ensure the continued achievement of the objectives of the Project; and

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

## **ARTICLE IV**

### **Financial Covenants**

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

(b) The Recipient shall:

- (i) have the financial statements referred to in paragraph (a) of this Section 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 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 such records, accounts and financial statements and the audit thereof, and concerning said auditors, as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Grant Account were made on the basis of the reports referred to in Part A.7 of Schedule 1 to this Agreement (Report-based Disbursements) or on the basis of statements or expenditure, the Recipient shall:



- (i) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the end of the fiscal year in which the last withdrawal from the Grant Account was made;
- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such reports or statements of expenditure are included in any audit that the Association may have requested pursuant to paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient's progress reporting obligations set out in paragraphs 6 and 7 of Schedule 4 to this Agreement, the Recipient 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 Grant and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first 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 (l) of the General Conditions, the following additional events are specified:

(a) A situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out.

(b) The HCNLS Decree shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of HCNLS to perform any of its obligations under the Project.

## **ARTICLE VI**

### **Effectiveness; Termination**

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

(a) the Recipient has appointed the following key staff under terms of reference acceptable to the Association and in accordance with the provisions of Section III of Schedule 3 to this Agreement: the executive secretary, finance officer, procurement specialist and the four (4) following key technical advisers: (i) a prevention and sensitization officer, (ii) a public health specialist (in charge of testing/counseling and treatment/care), (iii) a HIV/AIDS response mobilization and outreach officer, and (iv) a monitoring and evaluation officer;

(b) the Recipient has appointed the CMA and FMA under terms of reference acceptable to the Association and in accordance with the provisions of Section III of Schedule 3 to this Agreement;

(c) the Recipient has adopted and furnished to the Association the PIM and PIP, in a form and substance that is satisfactory to the Association;

(d) the Recipient has established a financial management system that is satisfactory to the Association; and

(e) the Recipient has appointed an external auditing firm acceptable to the Association and in accordance with Section III of Schedule 3 to this Agreement.

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 Recipient; Addresses

Section 7.01. The Minister responsible for Finance is designated as representative of the Recipient 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 Recipient:

Minister of Economy and Finance  
Ministry of Economy and Finance  
BP 234  
Bamako  
Republic of Mali

Facsimile:

(223) 222 88 53

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)  
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 District of Columbia, Unites States of America, as of the day and year first above written.

REPUBLIC OF MALI

By /s/ Abdoulaye Diop

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ A. David Craig

Authorized Representative

**SCHEDULE 1**

**Withdrawal of the Proceeds of the Grant**

A.

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

<u>Category</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works	800,000	100%
(2) Goods	6,000,000	100%
(3) Consultants' services (including audits)	3,300,000	100%
(4) Training and Workshops	1,240,000	100%
(5) Subprojects	4,120,000	100% of amounts disbursed
(6) Operating Costs	430,000	100%
(7) Refunding of Project Preparation Advance	340,000	Amount due pursuant to Section 2.02 (b) of this Agreement
(8) Unallocated	1,370,000	
<b>TOTAL</b>	<u>17,600,000</u> =====	

2. For the purposes of this Schedule, the term "operating costs" means the following incremental costs incurred by HCNLS, including vehicle fuel and maintenance, equipment operation and maintenance, utilities, office supplies, communication costs, staff travel allowances, and salaries for contractual staff, but excluding the salaries of the Recipient's civil servants.

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

4. The Association may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing \$250,000 equivalent or less per contract; (b) works costing \$500,000 equivalent or less per contract; (c) services of consulting firms under contracts costing less than \$100,000 equivalent per contract and services of individual consultants under contracts costing less than \$50,000 equivalent per contract; (d) training and workshops; (e) operating costs; and (f) Subprojects, all under such terms and conditions as the Association shall specify by notice to the Recipient.

5. For purposes of this Agreement, it is understood that the percentages of expenditures to be financed under the table set forth in paragraph 1 of this Schedule have been calculated on the basis of the provisions of the letter from the Recipient's Minister in charge of Finance dated February 19, 2004, which provides for an exemption from taxes and custom duties levied in the territory of the Recipient on works, goods and services for this Project. In the event that any change is made to the said letter which has the effect of levying taxes or customs duties on such works, goods and services, the percentages referred to above shall be decreased in accordance with the provisions of Section 5.08 of the General Conditions.

6. If the Association shall have determined at any time that any amount of the Grant was used in a manner inconsistent with the provisions of this Agreement, the Recipient shall, promptly upon notice from the Association, refund to the Association for deposit into the Grant Account, an amount equivalent to the amount so used.

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

B. Special Accounts

1. The Recipient may open and maintain in FCFA two special deposit accounts (Special Account A and Special Account B) in a commercial bank acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment.

2. For purposes of this Schedule:

(a) the term “Eligible Categories” means:

- (i) for Special Account A, categories 1, 2, 3, 4 and 6; and
- (ii) for Special Account B, categories 1, 2, 3, 4 and 5.

(b) the term “Eligible Expenditures” means expenditures 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 Grant allocated from time to time to the Eligible Categories in accordance with the provisions of Schedule 1 to this Agreement.

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

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

(b) if the Recipient is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

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

5. Notwithstanding the provisions of Part B.3 of this Schedule, the Association shall not be required to make further deposits into the Special Accounts:

(a) if the Association, at any time, is not satisfied that the reports referred to in Part A.7 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

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

(c) if the Recipient shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Accounts; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

6. The Association shall not be required to make further deposits into the Special Accounts in accordance with the provisions of Part B.3 of this Schedule if, at any time, the Association shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the Grant Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Accounts may be made and what procedures should be followed for making such deposits, and shall notify the Recipient of its determination.

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

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

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

(d) Refunds to the Association made pursuant to subparagraph (a), (b) or (c) of this paragraph 7 shall be credited to the Grant Account for subsequent withdrawal or for cancellation in accordance with the provisions of this Agreement.

8. (a) The Recipient may open three Second Generation Accounts of Special Account B, in a commercial bank acceptable to the Association on terms and conditions



that are satisfactory to the Association, including appropriate protection against set-off, seizure and or attachment. The Recipient may not hold at any one time an amount greater than FCFA 300,000,000 in any one of the Second Generation Accounts.

(b) Any withdrawal from any of the Second Generation Accounts must be justified by the Recipient using the same documentation and evidence required with respect to Eligible Expenditures pursuant to paragraph B.4 of this Schedule.

(c) If the Association or the Recipient shall have determined at any time that any amount outstanding in any Second Generation Account will not be required to cover further payments for Eligible Expenditures, the Recipient shall, promptly upon notice from the Association or the Recipient, refund to the respective Special Account such outstanding amount.

**Annex A  
to  
SCHEDULE 1**

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

1. For the purposes of this Annex, the term “Authorized Allocation” means:
  - (a) with respect to Special Account A, the amount of FCFA 700,000,000 to be withdrawn from the Grant Account and deposited into the Special Account A pursuant to paragraph 2 of this Annex; and
  - (b) with respect to Special Account B, the amount of FCFA 200,000,000 to be withdrawn from the Grant Account and deposited into Special Account B, pursuant to paragraph 2 of this Annex.
  
2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Accounts shall be made as follows:
  - (a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Association a request or requests for deposit into the Special Accounts of an amount or amounts, which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the respective Special Account such amount, as the Recipient shall have requested.
  - (b) For replenishment of the Special Accounts, the Recipient shall furnish to the Association monthly requests for deposit into the Special Accounts. Prior to, or at the time of each such request, the Recipient shall furnish to the Association the documents and other evidence required pursuant to Part B.4 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the respective Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the respective Special Account for Eligible Expenditures. Each such deposit into the respective Special Account shall be withdrawn by the Association from the Grant Account under one or more of the Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Accounts, once the total unwithdrawn amount of the Grant minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Grant Account of the remaining unwithdrawn amount of the Grant shall follow such procedures, as the Association shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Accounts as of the date of such notice will be utilized in making payments for Eligible Expenditures.

**Annex B  
to  
SCHEDULE 1**

**Operation of Special Accounts  
When Withdrawals Are  
Report-based Disbursements**

1. Withdrawals from the Grant Account shall be deposited by the Association into the Special Accounts in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the respective Special Account shall be withdrawn by the Association from the Grant Account under one or more of the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the Grant, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the 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 reports referred to in Part A.7 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.

## SCHEDULE 2

### Description of the Project

The objective of the Project is to support the Recipient's multi-sectoral efforts to control the spread of the HIV/AIDS epidemic and provide sustainable access to treatment and care to those infected with or affected by HIV/AIDS through: (a) strengthening the Recipient's national response to the HIV/AIDS epidemic; (b) raising the level of awareness on HIV/AIDS through the implementation of a comprehensive sensitization plan targeting high risk groups, such as the youth, sex workers, and truck drivers; (c) providing sustainable access to testing and counseling facilities; (d) providing access to treatment, care and psychosocial support to persons infected with or affected by HIV/AIDS; and (e) strengthening the Recipient's capacity to address the HIV/AIDS epidemic and to maintain an effective monitoring and evaluation system.

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

#### Part A:            Public Sector Response

1.        Provision of support to MDA for: (a) preparation and implementation of annual sectoral HIV/AIDS work plans outlining measures for the prevention, care and mitigation of HIV/AIDS among MDA personnel; and (b) awareness raising programs among MDA staff, their families and client base on HIV/AIDS avoidance means by, *inter alia*, the provision of training and quality condoms.

2.        Provision of support to MOH to fight the HIV/AIDS epidemic, through: (a) strengthening the capacity of MOH staff to carry out epidemiological surveillance and operational research, and bio-medical waste management; and (b) expansion of the network of voluntary testing and counseling centers, of ARVs and related treatments, and of laboratory support services.

#### Part B:            Private Sector Response

1.        Mobilization of the Recipient's private sector in the fight against HIV/AIDS in particular through the emergence and strengthening of a business coalition against HIV/AIDS that would, *inter alia*: (a) make available to the Project existing private sector expertise and distribution networks; (b) provide a forum for private sector entities to exchange information on best practices for HIV/AIDS mitigation; and (c) formulate proposals to scale up successful private sector HIV/AIDS interventions to comprehensive national programs.

2. (a) Provision of Subgrants and technical advisory services to eligible private sector entities to carry out HIV/AIDS awareness and prevention programs, testing and counseling initiatives, and to improve access to HIV/AIDS medication and care facilities, to increase laboratory diagnostic and monitoring and to improve support to people affected by HIV/AIDS; and

(b) design and implementation of a communications campaign on the role of the private sector in combating the HIV/AIDS epidemic.

Part C: Civil Society Response

1. Provision of technical advisory services and training to CSOs to develop or expand initiatives to combat HIV/AIDS.

2. Provision of Subgrants to eligible CSOs to carry out activities which include awareness raising, HIV/AIDS testing and counseling, improving access to medical care and medication, improving availability of laboratory facilities, and provision of home and community-based care for patients and social support to PLWHA, family members and orphans, including support for school tuition.

Part D: Project Coordination, Monitoring and Evaluation

1. Establishment of a monitoring and evaluation system and implementation of the Project's monitoring and evaluation plan.

2. Provision of operational support to HCNLS in carrying out its responsibilities under the Project including, *inter alia*, the coordination of Project implementation, financial management, procurement, monitoring and evaluation, and other services of a cross cutting nature such as capacity building, communication, outreach and sensitization, through the provision of technical advisory services, goods, training and operating costs.

\* \* \*

The Project is expected to be completed by February 1, 2009.

### **SCHEDULE 3**

#### **Procurement**

##### Section I. General

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

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

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

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

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

##### B. Other Procurement Procedures

1. National Competitive Bidding Goods and works estimated to cost \$50,000 or more, and less than \$250,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding, in accordance with the provisions of paragraphs 3.1, 3.3 and 3.4 of the Procurement Guidelines.

2. Shopping Antiretroviral drugs, reagents, laboratory equipment and other HIV related drugs, estimated to cost less than \$250,000 equivalent per contract, goods estimated to cost less than \$50,000 equivalent per contract, and works estimated to cost less than \$50,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping, in accordance with the provisions of paragraphs 3.1 and 3.5 of the Procurement Guidelines.

3. Direct Contracting. Reagents and blood transfusion related goods which the Association agrees meet the requirements for Direct Contracting as defined in the provisions of paragraphs 3.1, 3.6 et 3.7 of the Procurement Guidelines may be procured in accordance with the provisions of the said procurement method.

4. Procurement from UN Agencies. HIV/AIDS related health commodities such as anti-retroviral drugs, reagents, medical supplies, tests equipment, blood taking-giving tests, milk substitutes, antiseptics and tuberculosis drugs may be procured directly from the Inter-Agency Procurement Services Organization, United Nations Family Planning Association, United Nations Children's Fund and the World Health Organization in accordance with the provisions of paragraphs 3.1 and 3.9 of the Procurement Guidelines.

5. Community Participation. Goods, works and services required for Part C of the Project may be procured on the basis of community participation in accordance with the provisions of paragraph 3.17 of the Procurement Guidelines and the procedures set forth in the PIM.

### Section III. Particular Methods of Procurement of Consultants' Services

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

#### B: Other Procedures

1. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

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

3. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines.



Section IV. Review by the Bank of Procurement Decisions

Except as the Bank shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Bank: (a) the first three contracts for works awarded using National Competitive Bidding procedures, and each contract estimated to cost the equivalent of \$500,000 or more; (b) the first three contracts for goods awarded using National Competitive Bidding, and each contract estimated to cost the equivalent of \$250,000 or more; (c) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more and each contract for consultants' services provided by an individual consultant estimated to cost the equivalent of \$50,000 or more; (d) all contracts under Direct Contracting and Single Source Selection; (e) the first ten contracts relating to Subprojects; and (f) training programs, including proposed workshops and study tours, to be submitted on an annual basis following the Effective Date of the Project, setting forth, *inter alia*, the nature of the proposed training, the proposed number of trainees and cost estimates. All other contracts shall be subject to Post Review by the Bank.

## SCHEDULE 4

### Implementation Program

1. Project Management:

The Recipient shall:

(a) ensure that the Project is carried out in accordance with the PIM and PIP, and except as the Association shall otherwise agree, shall not amend or waive, any provisions of the aforementioned, if such amendment or waiver, may in the opinion of the Association, materially or adversely affect the implementation of the Project;

(b) maintain at all times during the implementation of the Project a HCNLS secretariat with staff having experience and qualifications satisfactory to the Association including: (i) an Executive Secretary; (ii) four technical advisers to offer expertise in areas such as HIV/AIDS prevention, testing and counseling, as well as access to drugs, the mobilization in the response to HIV/AIDS, and monitoring and evaluation; (iii) a procurement specialist; and (iv) a financial management officer;

(c) cause HCNLS to supervise and coordinate the overall implementation of the Project in accordance with the provisions of this Agreement and the PIM, including, *inter alia*: (i) the review and approval of annual work plans; (ii) coordination of annual work plans to avoid duplication; (iii) procurement of goods, works and services; (iv) financial management; and (v) monitoring, evaluation and preparation of reports on the status of Project implementation; and

(d) without limitation to the generality of paragraph (c) above, HCNLS shall recruit under terms of reference acceptable to the Association a CMA and FMA. The respective contracts entered into with the CMA and FMA must be in a form and substance that is satisfactory to the Association, with terms and conditions that shall include, *inter alia*, a clear delineation of their respective responsibilities and the obligation to implement the Project in accordance with the PIM, dated performance targets and monitoring indicators and progress reporting obligations.

2. Safeguard Policies:

The Recipient shall ensure that the Project is implemented in accordance with the provisions of the MWMP, and except as the Association shall otherwise agree, shall not amend or waive any provision of the said plans, if such amendment or waiver may, in the opinion of the Association materially or adversely affect the implementation of the Project.

3. Public Sector Response under Part A of the Project

MDAs:

(a) Prior to receiving implementation support under the Project, each MDA shall prepare an annual sectoral HIV/AIDS plan providing for all sectoral HIV/AIDS activities and the proposed sources of financing, and providing for the proposed activities under the Project that are consistent with this Agreement and the requirements set forth in the PIM for the respective approval of HCNLS and the Association.

(b) The MDAs shall also enter into a written contract with the CMA that is satisfactory in form and substance to the Association, setting forth the terms and conditions under which the CMA shall carry out the procurement function on behalf of such MDA.

4. Private Sector Response under Part B of the Project: PS Subproject Approval Procedures and Eligibility Criteria

(a) The proposed Beneficiary shall submit a PS Subproject proposal to the CMA for its review in accordance with the procedures set forth in the PIM. The CMA shall approve proposals of up to US\$50,000, and consult with the HCNLS for all proposals above this amount. The proposed Beneficiary may request technical advisory services to assist in the preparation of the PS Subproject proposal;

(b) The CMA, and the HCNLS, as the case may be, shall select Beneficiaries that meet the eligibility criteria set forth in the PIM to receive the Subgrants, such eligibility criteria to include a commitment from the proposed Beneficiary to provide a matching grant from its own resources, except in the case of very small businesses where the Project may provide one hundred per cent (100%) of the financing.

(c) Following the approval of Subproject proposals, and prior to the disbursement of any Subgrants to the Beneficiaries, HCNLS, shall or shall cause the

CMA to enter into a PS Subgrant Agreement with each proposed Beneficiary under terms and conditions, which shall include the following:

- (i) the obligation of the Beneficiary to carry out the PS Subproject in accordance with the PIM, as the case may be, with due diligence and efficiency and in accordance with sound technical, financial, environmental, public health and managerial standards, and to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Subprojects;
- (ii) the requirement that the goods, works and services to be financed from the proceeds of the Subgrant shall be used exclusively in carrying out the Subproject;
- (iii) the right of HCNLS to inspect by itself, or jointly with the Association, or if the Association shall so request, the goods, works, sites or plants included in the Subproject, the operations thereof and any relevant records and documents;
- (iv) the right of HCNLS, to obtain all information as the Association shall reasonably request regarding the administration, operation and financial management of the Subproject;
- (v) the right of HCNLS to suspend or terminate the right of the Beneficiary to use or benefit from the use of the proceeds of the Subgrant upon failure by the Beneficiary to perform any of its obligations under the Subgrant Agreement; and
- (vi) the right to receive from the Beneficiary quarterly progress reports and a final report upon completion of the Subproject.

(d) Once the PS Subgrant Agreement has been signed, the CMA shall notify the FMA accordingly, to commence the disbursement of the Subgrant to the proposed Beneficiary, as set forth in the said Agreement.

(e) The CMA, jointly with the FMA, shall, for the first six months after the Date of Effectiveness, submit to the HCNLS a monthly, and thereafter a quarterly progress report on the disbursement of funds to the Beneficiaries, with all contracts and PS Subgrant Agreements concluded during the preceding month or quarter attached thereto.

5. Civil Society Response under Part C of the Project: CSO Subproject Approval Procedures and Eligibility Criteria

(a) CSOs selected for the implementation of Part C of the Project must be acceptable to the Association and meet the eligibility criteria set forth in the PIM.

(b) HCNLS will assess the capacity of the proposed CSOs and develop a capacity building plan to scale up their capacity and assist them in the preparation of CSO Subproject proposals.

(c) The CMA shall approve proposals of up to US\$30,000, and consult with the HCNLS for all proposals above this amount.

(d) Following the approval of Subproject proposals, and prior to the disbursement of any Subgrants to the Beneficiaries, HCNLS, shall or shall cause the CMA to enter into a CSO Subgrant Agreement with each proposed Beneficiary under terms and conditions, which shall include the following

- (i) the obligation of the Beneficiary to carry out the Subproject in accordance with the PIM, as the case may be, with due diligence and efficiency and in accordance with sound technical, financial, environmental, public health and managerial standards, and to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Subprojects;
- (ii) the requirement that the goods, works and services to be financed from the proceeds of the Subgrant shall be used exclusively in carrying out the Subproject;
- (iii) the right of HCNLS to inspect by itself, or jointly with the Association, or if the Association shall so request, the goods, works, sites or plants included in the Subproject, the operations thereof and any relevant records and documents;
- (iv) the right of HCNLS, to obtain all information as the Association shall reasonably request regarding the administration, operation and financial management of the Subproject;
- (v) the right of HCNLS to suspend or terminate the right of the Beneficiary to use or benefit from the use of the proceeds of the

Subgrant upon failure by the Beneficiary to perform any of its obligations under the Subgrant Agreement; and

- (vi) the right to receive from the Beneficiary quarterly progress reports and a final report upon completion of the Subproject.

(d) Once the CSO Subgrant Agreement has been signed, the CMA shall notify the FMA accordingly, to commence the disbursement of the Subgrant to the proposed Beneficiary, as set forth in the said Agreement.

(e) The CMA, jointly with the FMA, shall, for the first six months after the Date of Effectiveness, submit to the HCNLS a monthly, and thereafter a quarterly progress report on the disbursement of funds to the Beneficiaries, with all contracts and CSO Subgrant Agreements concluded during the preceding quarter attached thereto.

6. Annual Reviews:

The Recipient 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 6 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) carry out an annual review of the progress in implementation during the previous year, having regard to the monitoring indicators referred to in subparagraph (a) of this paragraph, no later than March 31 of each year of Project implementation, commencing the year 2005; and

(c) following each review referred to in sub-paragraph (b) of this paragraph, act promptly and diligently to take any corrective action agreed with the Association to remedy any shortcomings identified in implementation, in furtherance of the objectives of the Project.

7. Midterm Review:

(a) On or about thirty months after the Effective Date, the Recipient shall 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).

The Midterm Review shall cover, amongst other things:

- (i) progress made in meeting the Project's objective; and
- (ii) overall Project performance against Project performance indicators.

(b) The Recipient shall cause HCNLS to prepare and, at least six 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 Recipient shall, not later than six weeks after the Midterm Review, prepare and submit to the Association 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**

### **Modifications to the General Conditions**

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

1. Sections 3.02, 3.03, 3.04 (a), 3.04 (b), 3.05, 6.05, Article VII, are deleted in their entirety.
2. Wherever used in the General Conditions, the following terms are modified to read as follows:
  - (a) The term “Borrower” is modified to read “Recipient”.
  - (b) The term “Credit” is modified to read “Grant”.
  - (c) The term “credit” is modified to read “grant”; except that where used in Sections 6.02 (a) (ii) and 6.02 (c) (i), as modified below, the term “credit” shall continue to read “credit”.
  - (d) The term “Credit Account” is modified to read “Grant Account”.
  - (e) The term “Development Credit Agreement” is modified to read “Development Grant Agreement”.
3. Article IV is modified as follows:
  - (a) Section 4.02 (a) and the heading of Section 4.02 are modified to read as follows:



*“Section 4.02 Currencies in which Commitment Charges are Payable*

(a) The Recipient shall pay the commitment charge on the Grant in the currency specified in the Development Grant Agreement or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to paragraph (c) or (e) of this Section.”

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

(c) Section 4.03 and its heading are modified to read as follows:

*“Section 4.03. Amount of the Grant*

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

4. The text in Section 5.01 which reads “(a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b)” is deleted in its entirety.

5. Section 6.02 is modified as follows:

(a) The phrase “any other development credit agreement” in Section 6.02 (a) (ii) is modified to read: “any other development grant agreement or any development credit agreement or development financing agreement.”

(b) The phrase “any development credit agreement” in Section 6.02 (c) (i) is modified to read: “any development grant agreement, development credit agreement or development financing agreement”.

6. The words “The principal of, and any other charges on” in paragraph (a) of Section 8.01 are modified to read “The commitment charge on”.

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

“Section 12.05. *Termination of Development Grant Agreement.*

The obligations of the Recipient under the Development Grant Agreement shall terminate on the date 20 years after the date of the Development Grant Agreement.”

## **SCHEDULE 6**

### **Performance Monitoring Indicators**

- (1) During Project's implementation, at least 70% of the annual action plans of the national strategic program are implemented.
- (2) An annual review of program performance is conducted collaboratively with stakeholders.
- (3) By the end of the Project, at least 90% public and private, including madrassas, schools have integrated HIV/AIDS prevention modules in their curriculum.
- (4) By the end of the Project, the percentage of men age 15-49 who used a condom during their last intercourse with a partner other than their spouse increased from 33% in 2004 to 60%.
- (5) By the end of the Project, at least 80% of public and private institutions employees sensitized on HIV/AIDS.
- (6) By the end of the Project, the percentage of ambulatory vendors who used condom with the last occasional partner has increased from 18% to 75%.
- (7) By the end of the Project, the percentage of women and men who know at least two ways of HIV/AIDS contamination and prevention has increased from 13.3% and 59.7%, respectively, to 75%.
- (8) By the end of the Project, the number of private centers (run by private enterprises and/or CSOs) offering VCT services has increased from 15 to 55.
- (9) By the end of the Project, 55 reference centers (circles and communes) and 400 CSCOM (community health centers) offer testing and counseling.
- (10) At least 9000 PLWHA medically eligible for treatment (CD4 count less than 200) are under ARV treatment by the end of 2007.

- (11) A scorecard monitoring progress of key performance indicators of the implementation of the strategy is updated and circulated to HNAC during semestrial meeting.
- (12) 19 surveillance systems based on sentinel sites for pregnant women are functional by the end of 2005.
- (13) By the end of the Project 100% of blood is tested for HIV/AIDS.