

CONFORMED

GRANT NUMBER H014 GUI

Development Grant Agreement

(Multi-Sectoral HIV/AIDS Project)

between

REPUBLIC OF GUINEA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 30 , 2002

GRANT NUMBER H014 GUI

DEVELOPMENT GRANT AGREEMENT

AGREEMENT, dated December 30, 2002, between REPUBLIC OF GUINEA (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Association has received from the Recipient its national plan against HIV/AIDS (HIV/AIDS National Plan) dated September 23, 2002, describing the Recipient's program of objectives, policies and actions designed to prevent and control the spread of HIV/AIDS epidemic (the Program) and declaring the Recipient's commitment to the execution of the Program;

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

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

(E) the Association was authorized under Resolution No. 549, adopted by its Board of Governors on September 29, 2002, to use the funds transferred to the Association out of the Bank's fiscal year 2002 net income to provide financing in the form of grants and the development grant set forth in Section 2.01 of this Agreement (the "Grant") is being financed out of the funds so transferred; 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. (a) The following provisions of 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 paragraph (b) of this Section (the General Conditions), constitute an integral part of this Agreement:

- (i) Article I;
 - (ii) Sections 2.01 (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (12), (13) and (14), 2.02 and 2.03;
 - (iii) Section 3.01;
 - (iv) Sections 4.01, 4.02, 4.05 and 4.06(a);
 - (v) Article V;
 - (vi) Sections 6.01, 6.02, 6.03, 6.04 and 6.06;
 - (vii) Section 8.01 (b);
 - (viii) Sections 9.01, 9.02, 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08;
 - (ix) Article X;
 - (x) Article XI; and
 - (xi) Sections 12.01, 12.02, 12.03 and 12.04.
- (b) The General Conditions shall be modified as follows:
- (i) the term “Borrower”, wherever used in the General Conditions, means the Recipient;
 - (ii) the term “Development Credit Agreement”, wherever used in the General Conditions, means this Agreement;
 - (iii) the term “Credit” and “credit”, wherever used in the General Conditions, means the Grant; and
 - (iv) the term “Credit Account”, wherever used in the General Conditions, means the Grant Account.

Section 1.02. 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) “90-day Advance Account” means each of the accounts referred to in paragraph 7 of Schedule 5 to this Agreement;

(b) “Accountable 90-day Advance” means withdrawals from Special Account B necessary to meet Eligible Expenditures (as defined in paragraph 1 (b) of Schedule 5 to this Agreement) for each of the Main Line Ministries (as hereinafter defined) under Part B of the Project for a period of less than 90 days;

(c) “AIDS” means acquired immune deficiency syndrome;

(d) “CNLS” means *Commission Nationale de Lutte Contre le SIDA*, the Recipient’s national HIV/AIDS committee established and operating pursuant to the CNLS Decree (as hereinafter defined);

(e) “CNLS Arrêtés” means the Recipient’s Arrêté No. 1855 dated May 7, 2002 and Arrêté No. 1856 dated May 7, 2002 establishing the CNLS Secretariat (as hereinafter defined);

(f) “CNLS Decree” means the Recipient’s Decree No. 016 dated March 5, 2002 establishing CNLS;

(g) “CNLS Secretariat” means the secretariat established and operating pursuant to the Recipient’s Arrêté No. 1855 dated May 7, 2002 and Arrêté No. 1856 dated May 7, 2002;

(h) “Community Action Plan” means each action plan to be prepared by a community group setting its strategy of fighting HIV/AIDS and referred to in paragraph 11 of Schedule 4 to this Agreement;

(i) “CRD” means *Communauté Rurale de Développement*, a rural development community, i.e., a municipality established in each of the Recipient’s regions;

(j) “Financial Management Services Agreement” means the agreement to be entered into between the Recipient and a financial management services agency and referred to in paragraph 7 of Schedule 4 to this Agreement;

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

(l) “Francs Guinéens” or “GNF” means the currency of the Recipient;

- (m) "HIV" means the human immuno-deficiency virus;
- (n) "Implementation Agreement" means an agreement to be entered into between the CNLS Secretariat and a CRD in accordance with the provisions of paragraph 11 of Schedule 4 to this Agreement;
- (o) "Initial Deposit" means the initial amount to be deposited in the Project Account (as hereinafter defined) pursuant to Section 6.01 (d) of this Agreement and referred to in Section 3.04 (b) of this Agreement;
- (p) "Main Line Ministries" means the Recipient's Ministries of Education, Health, Youth, Social Affairs, Communication and Agriculture.
- (q) "NGOs" means non-governmental organizations;
- (r) "NGO Register" means the list of NGOs maintained by the Recipient and consisting of NGOs which have the capacity of providing assistance to community groups in identifying and implementing Sub-Projects (as hereinafter defined), and referred to in paragraph 6 of Schedule 4 to this Agreement;
- (s) "Project Account" means the account referred to in Section 3.04 (a) of this Agreement;
- (t) "Project Operations Manual" means the manual referred to in paragraph 2 of Schedule 4 to this Agreement, as the same may be amended from time to time in agreement with the Association, and such term includes any schedules to the Project Operations Manual;
- (u) "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 April 29, 2002 and on behalf of the Recipient on May 3, 2002;
- (v) "Project Year" means the first period of twelve (12) months following the Effective Date of the Project (First Project Year) and each subsequent period of twelve months thereafter until the completion of the Project;
- (w) "Special Account A" means the special deposit account opened for withdrawals in respect of expenditures made under Part A.1 of the Project and referred to in Section 2.02 (b) of this Agreement;
- (x) "Special Account B" means the special deposit account opened for withdrawals in respect of expenditures made under Parts A.2, A.3, A.4, B, C and D of the Project and referred to in Section 2.02 (b) of this Agreement;
- (y) "Special Accounts" means Special Account A and Special Account B;

(z) “Sub-Grant” means a sub-grant made, or to be made, out of the Grant proceeds to finance a Sub-Project (as hereinafter defined);

(aa) “Sub-Grant Agreement” means an agreement to be entered into between a CRD and a Sub-Grant Beneficiary (as hereinafter defined) for the provision of a Sub-Grant in accordance with paragraphs 11 and 12 of Schedule 4 to this Agreement;

(bb) “Sub-Grant Beneficiary” means a community group, civil society organization, private sector entity to which or for whose benefit a Sub-Grant is made or proposed to be made;

(cc) “Sub-Project” means any activity under Part A.1 of the Project, in respect of which a Sub-Grant has been, or may be, provided; and

(dd) “Waste Management Plan” means the waste management plan to be adopted in accordance with Section 6.01 (e) of this Agreement, setting out the measures and arrangements necessary to ensure proper management of hazardous waste under the Project.

ARTICLE II

The Grant

Section 2.01. The Association agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to fifteen million four hundred thousand Special Drawing Rights (SDR 15,400,000).

Section 2.02. (a) The amount of the Grant may be withdrawn from the Grant Account in accordance with the provisions of Schedule 5 to this Agreement for: (i) expenditures made (or if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Grant; or (ii) amounts paid (or, if the Association shall so agree, amounts to be paid) by the Recipient on account of withdrawals made in accordance with a Sub-Grant Agreement for the benefit of a Sub-Grant Beneficiary to meet the reasonable costs of goods, works and services required for Subprojects to be financed under Part A.1 of the Project, and in respect of which the withdrawal from the Grant Account is requested.

(b) The Recipient may, for the purposes of the Project, open and maintain in Dollars two special deposit accounts (Special Account A and Special Account B) in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments

out of each respective Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Recipient, withdraw from the Grant 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 July 31, 2008 or such later date as the Association shall establish. The Association shall promptly notify the Recipient of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Recipient from the Grant Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.05 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 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. (a) Commitment charges shall be payable semiannually on August 31 and February 28 in each year.

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

ARTICLE III

Execution of the Project

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

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the 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. 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.

Section 3.03. For the purposes of Section 9.06 (c) 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 (6) 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 future achievement of the objectives of the Project; and

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

Section 3.04. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall:

(a) open an account in Francs Guinéens in a commercial bank acceptable to the Association (the Project Account), and thereafter maintain the Project Account under terms and conditions acceptable to the Association until the completion of the Project;

(b) deposit into the Project Account: (i) an initial amount of GNF 300,000,000 (the Initial Deposit) followed six months later by an amount of GNF 375,000,000; and (ii) thereafter, at annual intervals, replenish the Project Account by the amounts required to finance the Recipient's contribution for expenditures under the Project as shall be agreed upon between the Recipient and the Association; and

(c) ensure that the funds deposited into the Project Account in accordance with paragraph (b) of this Section shall be used exclusively to finance expenditures under the Project.

ARTICLE IV

Financial Covenants

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

(b) The Recipient shall:

- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Accounts for each fiscal year audited, in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Grant Account were made on the basis of statements of expenditure, the Recipient shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders,

invoices, bills, receipts and other documents) evidencing such expenditures;

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

Section 4.02. (a) Without limitation upon the Recipient's progress reporting obligations set out in Section 4.01 of 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 FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

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.

(b) The CNLS Decree and/or CNLS Arrêtés shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of CNLS to implement the Project.

ARTICLE VI

Effective Date; Termination

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

(a) the Recipient has established an adequate financial management system for the Project, satisfactory to the Association, including by entering into a Financial Management Services Agreement with a financial management services agency under terms and conditions satisfactory to the Association for the purposes of assisting the Recipient in the financial management of the Project;

(b) the Recipient has adopted a Project Operations Manual including a Project implementation plan; a financial management manual; and a procurement plan for the implementation of the Project during the first Project Year, all in form and substance satisfactory to the Association;

(c) the Project Account has been opened and the Initial Deposit referred to in Section 3.04 (b) of this Agreement has been deposited therein;

(d) the Recipient has employed the independent auditors referred to in Section 4.01 (b) of this agreement, all in accordance with the provisions of Section II of Schedule 3 to this Agreement; and

(e) the Recipient has adopted the Waste Management Plan, in form and substance satisfactory to the Association.

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 of Economy and Finance of the Recipient 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
B. P. 579
Conakry
Guinea

Facsimile:

(224) 42 21 02

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.

REPUBLIC OF GUINEA

By /s/ Rafiou Barry
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Hartwig Schafer
Acting Regional Vice President

SCHEDULE 1

Withdrawal of the Proceeds of the Grant

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	60,000	100% of foreign expenditures and 80% of local expenditures
(2) Goods	2,600,000	100% of foreign expenditures and 80% of local expenditures
(3) Consultants' services and audits	3,800,000	80%
(4) Training	360,000	100%
(5) Sub-Grants for Sub-Projects under Part A.1 of the Project	7,000,000	100% of amounts disbursed
(6) Refunding of Project Preparation Advance	530,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(7) Operating Costs	220,000	90%
(8) Unallocated	830,000	
	<u>15,400,000</u>	
TOTAL	=====	

2. For the purposes of this Schedule:

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

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

(c) the term “operating costs” means incremental costs incurred under the Project on account of fuel and maintenance for vehicles, equipment operation and maintenance, utilities, office supplies, communication expenses, staff travel, subsistence and representation allowances, salaries for contractual and temporary staff, management fees, but excluding salaries of officials of the Recipient’s civil service.

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) works costing less than \$100,000; (b) services for consulting firms costing less than \$100,000; (c) services for individual consultants costing less than \$50,000; (d) goods costing less than \$50,000; (e) Sub-Grants for Sub-Projects under Part A.1 of the Project; (f) training; and (g) operating costs, all under such terms and conditions as the Association shall specify by notice to the Recipient.

SCHEDULE 2

Description of the Project

The objective of the Project is to support the Recipient's multi-sectoral efforts to limit and contain the spread of the HIV/AIDS epidemic through: (1) implementation of the Recipient's HIV/AIDS National Plan to increase access to prevention services as well as care and support for those infected and affected by HIV/AIDS; and (2) promotion of civil society and community initiatives for HIV/AIDS prevention.

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: Support to Community-Based Initiatives

1. Implementation of community-based Sub-Projects, aimed at HIV/AIDS prevention, care and mitigation, through provision of Sub-Grants to Sub-Grant Beneficiaries.
2. Carrying out of participatory campaigns among local communities to raise awareness and provide information on the HIV/AIDS epidemic, and to identify demands and needs of such communities.
3. Carrying out of an update to the NGO Register to include and assess NGOs which are interested in joining the NGO Register.
4. Provision of training to communities on: (a) HIV/AIDS prevention and care of infected and affected people; (b) social mobilization for AIDS; (c) advocacy and social communication; (d) counseling; and (e) project management and monitoring.

Part B: Support to the Public Sector

Implementation of annual action plans to be prepared by several of the Recipient's Ministries at the central and regional levels, including:

1. Action plans prepared by the Ministry of Health covering HIV/AIDS prevention activities such as blood safety, voluntary testing, counseling, prevention of mother-to-child transmission, sentinel sites and a pilot antiretroviral therapy for about 150 patients.
2. Development and management of a hazardous waste system including: (a) acquisition of incinerators; (b) construction of burials of medical waste in selected health centers; and (c) training of health workers in handling HIV/AIDS hazardous materials.

3. Preparation and implementation of training guides including those on: (a) peer sexual education to be designed by the Ministry of Education; (b) counseling for testing to be designed by the Ministry of Health; (c) social mobilization to be designed by the Ministry of Youth; (d) advocacy and social communication to be designed by the Ministry of Communication; and (e) other HIV/AIDS related subjects as deemed necessary for the Project.

Part C: Capacity Building

Strengthening of the Recipient's agencies, civil society, rural organizations and private sector capacity to develop and implement HIV/AIDS prevention and care projects including: (1) update of the Recipient's HIV/AIDS National Plan; (2) provision of technical advisory services to public and private institutions; (3) provision of training, facilitation of communication and acquisition of procurement needs such as goods, drugs and condoms necessary to support implementation of Parts A and B above; and (4) carrying out of studies and surveys for monitoring and evaluation purposes.

Part D: Project Management and Coordination

Strengthening the capacity of CNLS to manage, coordinate, program, monitor and evaluate the Project, through the provision of training and technical advisory services.

* * *

The Project is expected to be completed by January 31, 2008.

SCHEDULE 3

Procurement

Section I. Procurement of Goods and Works

Part A: General

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

Part B: International Competitive Bidding

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

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

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

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

2. International or National Shopping

Goods estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Goods which are of a proprietary nature and costing \$5,000 equivalent or less per contract up to and aggregate amount not to exceed \$130,000, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

4. Procurement from UN Agencies

Goods to be procured under Parts A, B and D of the Project may be procured from the United Nations Development Programme Inter-Agency Procurement Services Office, United Nations Children's Fund Procurement and Assembly Center, United Nations Population Fund or World Health Organization in accordance with the provisions of paragraph 3.9 of the Guidelines.

5. Community Participation

Goods and works required for the Sub-Projects under Part A.1 of the Project shall be procured in accordance with procedures acceptable to the Association and described in the Project Operations 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 \$96,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

With respect to: (a) each contract for goods to be procured under international competitive bidding procedures; (b) the first three contracts for goods to be procured under national competitive bidding procedures; (c) each contract for goods to be procured under direct contracting procedures; and (d) each of the first 10 Sub-Grants under Part A.1 of the Project, 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

Consultants' services shall be procured in accordance with the provisions of Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto, and the following provisions of this Section.

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, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provision 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 \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 and footnote 8 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

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 and 3.7 of the Consultant Guidelines.

2. Single Source Selection

Services: (i) which are estimated to cost less than \$5,000 equivalent per contract; and (ii) for contracts under Part C of the Project, in aggregate amount not to exceed \$1,500,000, 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.

3. Least Cost Selection

Services for financial audits, under Article IV of this Agreement, estimated to cost less than US\$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."

4. Individual Consultants

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

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Association, for its review and approval, prior to the issuance to consultants of any requests for proposals. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants to be selected on a sole source basis, or estimated to cost the equivalent of \$50,000 or more, the report on the comparison of the qualifications and experience of candidates, the qualifications, experience and the terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

3. Post Review

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

SCHEDULE 4

Implementation Program

A. Overall Project Implementation Oversight

1. The Recipient shall maintain at all times during the implementation of the Project, a CNLS Secretariat in a form and with functions satisfactory to the Association, and appoint thereto staff having experience and qualifications satisfactory to the Association including a director, a deputy director, local and sectoral response specialists, financial management and administrative specialists and procurement specialist.

2. The Recipient shall prepare and furnish to the Association a Project Operations Manual in form and substance satisfactory to the Association, setting out details of: (a) the Project implementation plan; (b) a financial management manual; (c) Project procurement arrangements; (d) procedures for preparation, appraisal, implementation and supervision of Community Action Plans; (e) standard formats for Sub-Grant Agreements and Implementation Agreements; and (f) such other administrative, financial, technical and organizational arrangements as shall be required for the Project.

3. The Recipient shall, no later than March 15, 2003, adopt training modules for training of trainers program for the First Project Year, in form and substance satisfactory to the Association.

4. Except as the Association shall otherwise agree, the Recipient shall: (i) apply the criteria, policies, procedures and arrangements set out in the Project Operations Manual and the Waste Management Plan; and (ii) not amend or waive, or permit to be amended or waived, the Project Operations Manual or the Waste Management Plan or any provision thereto, in a manner which, in the opinion of the Association, may materially and adversely affect the implementation of the Project.

5. The CNLS Secretariat shall supervise and coordinate the overall implementation of the Project in accordance with the provisions of this Agreement and the Project Operations Manual.

6. The Recipient shall maintain and update the NGO Register to include specialized NGOs which have the capacity to provide assistance to Beneficiaries preparing and implementing HIV/AIDS prevention and care activities including Sub-Projects. Selection of NGOs to carry out Project activities shall be from the NGO Register.

7. The Recipient shall enter into and maintain, at all times during the implementation of the Project, a Financial Management Services Agreement with a financial management services agency under terms and conditions satisfactory to the Association setting out details of the provision of financial management services by such agency to the Recipient including: (a) establishment of a financial and accounting

management system satisfactory to the Association; and (b) carrying out of all aspects of Project financial management.

8. The Recipient shall, by March 15, 2003, develop and establish a computerized contract tracking and monitoring system.

9. The Recipient shall carry out data collection surveys during the first year of the Project, prior to the midterm review and at the completion of the Project.

B. Procedures and Eligibility Criteria for Sub-Projects

10. The Recipient shall provide Sub-Grants to finance community-based Sub-Projects in accordance with procedures and criteria set forth in the Project Operations Manual which shall include, but not be limited to, the following criteria, that: (a) the Community Action Plan has been designed in a participatory approach; (b) the proposed Sub-Project fits into the overall Community Action Plan; (c) the proposed Sub-Project activities shall not be those of the negative list as it appears in the Project Operations Manual; and (d) the Sub-Grant Beneficiary shall co-finance at least 20% of its proposed Sub-Project, in cash or kind.

11. Community Action Plans shall be submitted to the respective CRD for approval. CRDs shall submit a package of approved Community Action Plans to the CNLS Secretariat for Sub-Grants financing. Upon its approval, CNLS Secretariat shall enter into an Implementation Agreement with the respective CRD, in forms and substance satisfactory to the Association, setting forth: (a) details of activities, implementation arrangements, monitoring and evaluation of the Sub-Projects; (b) the obligation of CRD to enter into a Sub-Grant Agreement with each Sub-Grant Beneficiary, under terms and conditions satisfactory to the Association, including those set forth in paragraph 12 of this Schedule.

12. Sub-Grant Agreements shall include the following terms and conditions:

(a) the obligation of the Sub-Grant Beneficiary to carry out the Sub-Project in accordance with the Project Operations Manual, with due diligence and efficiency and in accordance with sound technical, financial, environmental 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 Sub-Projects;

(b) the requirement that: (A) the goods, works and services to be financed from the proceeds of the Sub-Grant shall be procured in accordance with procedures acceptable to the Association; and (B) such goods, works and services shall be used exclusively in carrying out the Sub-Project;

(c) the right of CRD or CNLS Secretariat to inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites and plants

included in the Sub-Project, the operations thereof and any relevant records and documents;

(d) the right of CRD and CNLS Secretariat to obtain all information, as CRD, CNLS Secretariat or the Association shall reasonably request, regarding the administration, operation and financial management of the Sub-Project;

(e) the right of CRD, including at the request of CNLS Secretariat, to suspend or terminate the right of the Sub-Grant Beneficiary to use the proceeds of the Sub-Grant upon failure by the Sub-Grant Beneficiary to perform any of its obligations under the Sub-Grant Agreement; and

(f) the rights and obligations of any agency which shall execute the Sub-Project on behalf of the Sub-Grant Beneficiary.

C. Work Plans

13. The Recipient shall cause all public and private institutions participating in the Project to prepare and furnish to CNLS Secretariat annual work plans in form and substance satisfactory to the Association.

14. The Recipient's ministries' work plans shall not be financed unless they are prepared in form and substance satisfactory to the Association.

15. For purposes of implementation of the action plans referred to in the preceding paragraph, the CNLS Secretariat may conclude a memorandum of understanding with each ministry, in form and substance satisfactory to the Association, which shall specify, *inter alia*: (i) the activities to be implemented at both the central and regional levels; and (ii) the modalities of transfers of funds by the CNLS Secretariat to the relevant ministry for the financing of its action plan at the central and regional levels, it being understood that, in order to facilitate the carrying out of activities at the regional level, the CNLS Secretariat may directly transfer funds to the regional directorates of a ministry, through a monthly advance mechanism, provided that such directorates furnish on time to CNLS adequate statements of expenditures to justify expenses paid with such funds.

D. Antiretroviral Therapy

16. Pilot antiretroviral therapy under Part B of the Project shall not be carried out until the following conditions are in place: (a) training of technical personnel necessary to carry out this therapy; (b) acquisition of equipment necessary to monitor patients' reaction to the therapy; and (c) the Recipient has designed and implemented a system to control access to antiretroviral therapy including equitable and fair guidelines and criteria for selection of beneficiary patients of this pilot therapy.

17. The Recipient shall: (a) continue to negotiate prices of antiretroviral therapy drugs with pharmaceutical companies; and (b) only procure generic drugs.

E. Reports

18. The Recipient shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about November of each year, a report integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (a) of this paragraph, 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 December of each year, or such later date as the Association shall request, the report referred to in subparagraph (b) of this paragraph, 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.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term “Eligible Categories” means category (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement in respect of Special Account A; and Categories (1), (2), (3), (4), (6) and (7) set forth in said table in respect of Special Account B.

(b) the term “Eligible Expenditures” means expenditures in respect of the reasonable cost of goods, works, and services required for the Project, as well as amounts paid or to be paid under Sub-Grants, 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; and

(c) the term “Authorized Allocation” means: (i) in respect of the Special Account A, an amount equivalent to \$1,200,000 to be withdrawn from the Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule; provided, however, that, unless the Association shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to \$600,000, until the aggregate amount of withdrawals from the Grant Account of amounts allocated to said Special Account’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 SDR 2,500,000; and (ii) in respect of the Special Account B, an amount equivalent to \$1,200,000 to be withdrawn from the Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule; provided, however, that, unless the Association shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to \$600,000 until the aggregate amount of withdrawals from the Grant Account of amounts allocated to said Special Account’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 SDR 3,000,000.

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

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

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

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

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

4. For each payment made by the Recipient out of the respective Special Account, the Recipient shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

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

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

(b) if the 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 the records and accounts for the Special Accounts;

(c) 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 the provisions of Section 6.02 of the General Conditions; or

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

Thereafter, withdrawal from the Grant Account of the remaining unwithdrawn amount of the Grant allocated to the eligible Categories 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 respective Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

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

(b) If the Association shall have determined at any time that any amount outstanding in any Special Account will not be required to cover further payments for eligible expenditures, the 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 paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Grant Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

7. The Recipient shall open and maintain in Francs Guinéens a 90-day Advance Account for each of the Main Line Ministries in a commercial bank, on terms and

conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment.

8. The Recipient shall, in accordance with the procedures set out in the Project Operations Manual, withdraw from Special Account B and deposit into each 90-day Advance Account, an Accountable 90-day Advance.

9. Payments out of each 90-day Advance Account shall only be made for Eligible Expenditures.

10. In the event that the Association, after consultation with the Recipient, determines that any outstanding amount in any 90-day Advance Account is not further required to cover payments for Eligible Expenditures, the Recipient, upon notice from the Association shall promptly refund such outstanding amount to Special Account B.