

IDA GRANT NUMBER H059 TA

Development Grant Agreement

(Multi-Sectoral HIV/AIDS Project)

between

UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 27, 2003

IDA GRANT NUMBER H059 TA

DEVELOPMENT GRANT AGREEMENT

AGREEMENT, dated August 27, 2003, between UNITED REPUBLIC OF TANZANIA (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received from the Recipient its strategic national plan against HIV/AIDS (the National Multi-sectoral Strategic Framework on HIV/AIDS), dated January 2003, 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 6 to this Agreement (the General Conditions), constitute an integral part of this Agreement.

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

- (a) “AIDS” means the Acquired Immune Deficiency Syndrome;
- (b) “Beneficiary” means any CBO (as hereinafter defined), NGO (as hereinafter defined), faith based organization, Village (as hereinafter defined), worker association or private sector entity to which or for whose benefit a Subgrant (as hereinafter defined) is made or proposed to be made;
- (c) “CBO” means a community based organization established and operating pursuant to the following laws of the Recipient: Societies Ordinance, Chapter 337 for Mainland Tanzania or Societies Act No. 6 of 1995 for Zanzibar, as the case may be;
- (d) “District” means an administrative area established pursuant to Section 6 of the Regions and Districts (Establishment Procedures) Act No. 12 of 1994 for Mainland Tanzania or pursuant to the Regional Administration Authority Act No. 1 of 1998 for Zanzibar, representing a designated area and population within the territory of the Recipient;
- (e) “Financial Monitoring Report” means each report prepared in accordance with Section 4.02 of this Agreement;
- (f) “HIV” means the human immuno-deficiency virus;

(g) “HIV/AIDS Technical Committee” means a committee established under Part IV of the TACAIDS Act (as hereinafter defined), or Section 12 (1) of the ZAC Act (as hereinafter defined), as the case may be;

(h) “Local Government Authority” or “LGA” as defined in Section 3 (1) of the LGA Act (as hereinafter defined), means a district authority or an urban authority established pursuant to the said Act in Mainland Tanzania;

(i) “LGA Act” means the Recipient’s Local Government (District Authorities) Act No. 7 of 1982, as amended;

(j) “Mainland Tanzania” means all other parts of the Recipient’s territory, with the exception of Zanzibar;

(k) “MDAs” means the line ministries, departments and agencies of the Recipient;

(l) “MWMP” means the medical waste management plan dated March 2003, approved by the Association, setting out the measures and arrangements necessary for the proper management of hazardous waste for Parts A through C of the Project;

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

(n) “NGO” means a non-governmental organization established and operating pursuant to the following laws of the Recipient: Societies Ordinance, Chapter 337 for Mainland Tanzania or the Societies Act No. 6 of 1995 for Zanzibar, as the case may be;

(o) “Office of the Prime Minister” means the Office of the Prime Minister in Mainland Tanzania and the Chief Minister’s Office in Zanzibar;

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

(q) “POM” means the Project Operations Manual for Parts A through C of the Project, satisfactory to the Association, which collectively consists of: Part A:

Regional Facilitating Agents Manual; Part B: Financial Management Manual; and Part C: Procurement, as the same may be amended from time-to-time with the approval of the Association;

(r) “PORALG” means the President’s Office - Regional Administration and Local Government in Mainland Tanzania;

(s) “PORASD” means the President’s Office - Regional Administration and Special Departments in Zanzibar;

(t) “Project Account A” means the account opened by the Recipient for purposes of providing its counterpart contribution for Parts A, B and C of the Project, and referred to in Section 3.04 (b) (i) of this Agreement;

(u) “Project Account B” mean the account referred to in Section 3.04 (b) of this Agreement for purposes of providing its counterpart contribution for Part D of the Project, and referred to in Section 3.04 (b) (ii) of this Agreement;

(v) “Project Accounts” means Project Account A and B;

(w) “Region” means each of the twenty-six regions proclaimed as such by the President of the United Republic of Tanzania, pursuant to powers conferred by the constitution;

(x) “Regional Facilitating Agent” means the entity referred to in paragraph 3 (a) of Schedule 4 to this Agreement;

(y) “Special Account A” 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 Section 2.02 (b) of this Agreement;

(z) “Special Account B” means the special deposit account opened for withdrawals in respect of expenditures made under Part D of the Project, and referred to in Section 2.02 (b) of this Agreement;

(aa) “Special Accounts” means Special Account A and B;

(bb) “Subgrant” means a Subgrant made, or to be made, out of the proceeds of the Grant, to finance a Subproject (as hereinafter defined);

(cc) “Subgrant Agreement” means an agreement to be entered into between TACAIDS/ZAC (as hereinafter defined), as the case may be, and a Beneficiary for the provision of a Subgrant in accordance with paragraph 3 (b) of Schedule 4 to this Agreement;

(dd) “Subproject” means a specific activity financed or to be financed by a Subgrant provided from the proceeds of the Grant under Parts A and D.1 of the Project;

(ee) “TACAIDS” means the Tanzania Commission for AIDS established and operating pursuant to the TACAIDS Act (as hereinafter defined);

(ff) “TACAIDS Act” means the Tanzania Commission for AIDS Act No. 22 dated January 9, 2002;

(gg) “Tanzania Shilling” or “Tshs” means the currency of the Recipient;

(hh) “Village” means a village established pursuant to Section 3 (1) of the LGA Act for Mainland Tanzania or a shehia established pursuant to Section 14 (1) of the Regional Administrative Authority Act No. 1 of 1998 for Zanzibar, representing a designated administrative area and population within the territory of the Recipient;

(ii) “ZAC” means the Zanzibar AIDS Commission established and operating pursuant to the ZAC Act (as hereinafter defined);

(jj) “ZAC Act” means the Zanzibar AIDS Commission Act No. 3 dated June 5, 2002;

(kk) “ZPIP” means the Project implementation plan to be prepared by the Recipient, specifying inter alia the procedures, timetables, procurement plan and other implementation arrangements agreed upon by the Recipient and the Association for Part D of the Project, as the same may be amended from time to time with the approval of the Association;

(ll) “ZPOM” means the Project Operations Manual to be prepared by the Recipient for Part D of the Project, satisfactory to the Association, as the same may be amended from time-to-time with the approval of the Association; and

(mm) “ZMWMP” means the medical waste management plan, satisfactory to the Association, to be prepared by the Recipient setting out the measures and arrangements necessary for the proper management of hazardous waste for Part D of 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 fifty-one million, four hundred thousand Special Drawing Rights (SDR 51,400,000).

Section 2.02. (a) The amount of the Grant may be withdrawn from the Grant Account in accordance with the provisions of Schedule 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 A and D.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 United States Dollars two special deposit accounts (Special Account A and 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 the Special Accounts shall be made in accordance with the provisions of Schedule 5 to this Agreement.

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 15 and November 15 in each year.

Section 2.05. The Closing Date shall be September 30, 2008 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 Office of the Prime Minister, 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. 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 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.

Section 3.04. Without limitation to the provisions of Section 3.01 of this Agreement, and except as the Association shall otherwise agree, the Recipient, shall, for purposes of its counterpart contribution:

(a) open and thereafter maintain, until the completion of the Project, Project Account A and B in Tanzanian Shillings in a commercial bank on terms and conditions satisfactory to the Association;

(b) deposit into: (i) Project Account A an initial contribution of three hundred million Tanzanian Shillings (Tshs 300,000,000) by the Effective Date, as provided in Section 6.01 (a) of this Agreement; and (ii) Project Account B an initial contribution of twelve million Tanzanian Shillings (Tshs 12,000,000), as provided in paragraph 3 (b) (ii) of Schedule 1 to this Agreement;

(c) thereafter replenish the said accounts up to their respective initial amounts on a quarterly basis until the completion of the Project, or whenever their respective balances shall be less than fifty million Tanzanian Shillings (Tshs 50,000,000) and two million Tanzanian Shillings (Tshs 2,000,000); and

(d) ensure that the amounts deposited into the said accounts are used exclusively to make payments to meet expenditures made or to be made in respect of the reasonable cost of goods, works and services for the Project in addition to those financed from the proceeds of the Grant.

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 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 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 statements of expenditure, the Recipient shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the 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 paragraph 5 of this Agreement, the Recipient shall cause TACAIDS/ZAC, as the case may be, to 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 TACAIDS Act or the ZAC Act shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of TACAIDS and ZAC to perform any of their respective 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 opened Project Account A and deposited therein the initial deposit referred to in Section 3.04 (b) (i) of this Agreement;

(b) the Recipient has adopted and furnished to the Association the PIP, including the procurement plan for the first year of Project implementation, in a form and substance that is satisfactory to the Association; and

(c) the Recipient has adopted and furnished to the Association the POM, in a form and substance that is 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 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:

Ministry of Finance
P. O. Box 9111
Dar es Salaam
Tanzania

Cable address:	Telex:	Facsimile:
TREASURY Dar es Salaam	41329	(255) 222 11 77 90

For the Association:

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

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

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Dar es Salaam, United Republic of Tanzania, as of the day and year first above written.

UNITED REPUBLIC OF TANZANIA

By /s/ Gray S. Mgonja

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Judy M. O'Connor

Authorized Representative

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		100% of foreign expenditures
(a) Parts B and C	75,000	90% of local expenditures
(b) Parts D.2 &D.3	514,000	
(2) Goods		100% of foreign expenditures
(a) Parts B and C	11,800,000	90% of local expenditures
(b) Parts D.2 & D.3	1,760,000	for other items procured locally
(3) Consultants' services (including audits) and Training		93%
(a) Parts B and C	22,700,000	
(b) Parts D.2 & D.3	1,100,000	
(4) Subprojects		100% of amounts disbursed
(a) Part A	10,260,000	
(b) Part D.1	735,000	
(5) Operating Costs	370,000	50%
	Amount of the	% of

<u>Category</u>	<u>Grant Allocated (Expressed in SDR Equivalent)</u>	<u>Expenditures to be Financed</u>
(6) Unallocated	2,086,000	
TOTAL	<u>51,400,000</u> =====	

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, works 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, works or services supplied from the territory of the Recipient; and

(c) the term “operating costs” means the following costs incurred by TACAIDS and ZAC: transportation, office rent, office furniture and equipment, 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 :

(a) expenditures prior to the date of this Agreement;

(b) (i) expenditures for Subprojects under Category (4) for a given Region, until evidence acceptable to the Association is provided that: (A) a Regional Facilitating Agent has been appointed for that Region; (B) the Regional Facilitating Agent has opened an account in a commercial bank under terms and conditions acceptable to the Association; (C) the Recipient has entered into the implementation agreement referred to in paragraph 3 (a) of Schedule 4 to this Agreement with such agent; and (D) for a Subproject in an amount exceeding \$100,000, the Subproject was selected in accordance with the procedures, terms and conditions set forth in paragraph 3 (b) of Schedule 4 to this Agreement, as further described in the POM/ZPOM.

- (ii) expenditures under Categories 1 (b), 2 (b), 3 (b) and 4 (b) relating to Part D of the Project (Zanzibar component) until: (A) the Recipient submits to the Association the ZPIP and ZPOM in a form and substance that is acceptable to the Association; (B) an assessment has been carried out of the financial management and procurement capacity of the implementing agencies for this component and such capacity is found to be acceptable to the Association; (C) a ZMWMP that is acceptable to the Association has been prepared and disclosed in Zanzibar; and (D) the Recipient has opened Project Account B and deposited therein the initial contribution referred to in Section 3.04 (b) (ii) 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 for contracts for: (a) consulting firms not exceeding \$100,000 equivalent each; (b) individual consultants not exceeding \$50,000 equivalent each; (c) works not exceeding \$50,000 equivalent each; (d) goods not exceeding \$250,000 equivalent each; (e) training; (f) operating costs; and (g) Subprojects not exceeding \$100,000, under such terms and conditions as the Association shall specify by notice to the Recipient.

5. 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.

SCHEDULE 2

Description of the Project

The objective of the Project is to support the Recipient's multi-sectoral efforts to reduce the spread of HIV by scaling up and accelerating its national response to the HIV/AIDS epidemic as outlined in its National Multi-sectoral Strategic Framework on HIV/AIDS through: (a) mainstreaming of HIV/AIDS activities into the work programs of all MDAs and LGAs, and supporting community based and private sector initiatives; (b) the prevention and mitigation of the adverse health and socio-economic impacts of HIV/AIDS at the individual, household and community levels; and (c) strengthening of the Recipient's national capacity to respond to the epidemic.

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: Community AIDS Response Fund

Provision of Subgrants to Beneficiaries for the implementation of community based Subprojects aimed at HIV/AIDS prevention, provision of care and support, and mitigation of health and socio-economic impacts.

Part B: Public Sector Fund

1. Preparation and implementation by MDAs of annual sectoral HIV/AIDS work plans outlining measures for the prevention, care and mitigation of HIV/AIDS among both MDA personnel and their client base.
2. Preparation and implementation of annual HIV/AIDS work plans by LGAs.
3. Provision of technical advisory services and training to MDAs and LGAs to assist in the preparation and implementation of work plans.

Part C: Institutional Strengthening and Program Administration Support to TACAIDS

1. Strengthening the institutional and operational capacity of TACAIDS through:
(a) carrying out of orientation workshops/retreats for inter alia: TACAIDS staff, HIV/AIDS Technical Committee members, regional administrative secretaries and district executive directors; (b) acquisition of office furniture, equipment, vehicles and office space; and (c) provision of training on procurement, financial management, monitoring and evaluation.

2. Supporting TACAIDS in carrying out its responsibilities under the Program and the Project, including inter alia: (a) the development and dissemination of HIV/AIDS related strategies and policies; (b) formulation of guidelines for the administration of the Program; (c) advocacy and social mobilization; (d) coordination of the Program including joint Donor reviews and financing; (e) monitoring and evaluation; (f) procurement; and (g) disbursement of Grant proceeds for Part A of the Project, through the provision of technical advisory services and workshops.

Part D: HIV/AIDS Support to Zanzibar

Provision of HIV/AIDS support to Zanzibar including:

1. Establishment of a community response fund to provide Subgrants to Beneficiaries for the implementation of community based Subprojects aimed at HIV/AIDS prevention, care and support, and mitigation of socio-economic impact.

2. Preparation and implementation of annual sectoral work plans by MDAs.

3. Strengthening of the institutional, operational and management capacity of ZAC, through the provision of technical advisory services, training and goods.

* * *

The Project is expected to be completed by March 30, 2008.

SCHEDULE 3

Procurement

Section I. Procurement of Good and Works

Part A: General

Goods and works shall be procured in accordance with 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 following provisions of this Section.

Part B: International Competitive Bidding

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

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

(a) Grouping of Contracts:

To the extent practicable, goods shall be grouped in bid packages estimated to cost \$250,000 equivalent or more each.

(b) Preference for domestically manufactured goods:

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

Part C: Other Procurement Procedures

1. Limited International Bidding:

Anti-retroviral drugs, and other HIV/AIDS treatments may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.2 of the Guidelines by inviting bids from the World Health Organization's (WHO) list of pre-qualified manufacturers.

2. National Competitive Bidding:

(a) Goods estimated to cost more than \$30,000 equivalent per contract, but less than \$250,000 equivalent per contract, may be procured in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Works estimated to cost more than \$50,000 equivalent per contract, but less than \$500,000 equivalent per contract, may be procured in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

3. International or National Shopping:

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$400,000 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.

4. Direct Contracting:

Computer software, anti-retroviral reagents or drugs of a proprietary nature may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

5. Procurement from UN Agencies

Vehicles, computers and accessories, and test kits, may be procured from the Inter-Agency Procurement Services Organization, United Nations Family Planning Association, United Nations Children's Fund and the WHO, in accordance with the provisions of paragraph 3.9 of the Guidelines.

6. Community Participation

Goods and works required for Parts A and D.1 of the Project shall, pursuant to paragraph 3.15 of the Guidelines, be procured in accordance with procedures acceptable to the Association as set forth in the POM/ZPOM, respectively.

7. Procurement of Small Works

Works estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000 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

(a) With respect to each contract for works estimated to cost the equivalent of \$50,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to the first contract for goods estimated to cost more than \$30,000, and thereafter each contract estimated to cost the equivalent of \$250,000 or

more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

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

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. Least-cost Selection

Services for financial audits estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Single Source Selection

Services may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

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. Such plan shall be updated every twelve (12) months during the execution of the Project, and each such updating shall be furnished to the Association for its review and approval. Selection of all consultants' services shall be undertaken in accordance with such selection plan (as updated from time to time) 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 estimated to cost the equivalent of \$50,000 or more, the report on the comparison of the qualifications and experience of candidates, 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.

(c) Training programs prepared under the Project shall be furnished to the Association for its prior review and approval.

3. Post Review

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

SCHEDULE 4

Implementation Program

1. Project Management:

The Recipient shall:

(a) ensure that the Project is carried out in accordance with the PIP, POM, ZPIP and ZPOM 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 TACAIDS and ZAC secretariat with staff having experience and qualifications satisfactory to the Association;

(c) cause TACAIDS and ZAC to supervise and coordinate the overall implementation of their respective parts of the Project in accordance with the provisions of this Agreement, the POM and ZPOM including inter alia: (i) the review and approval of annual work plans; (ii) coordination of work plans to avoid duplication; (iii) procurement of goods and services; (iv) disbursement of the proceeds of the Grant for Parts A and D.1 of the Project to the various implementing agencies; and (v) monitoring, evaluation and preparation of reports on the status of Project implementation; and

(d) establish and maintain throughout Project implementation HIV/AIDS Technical Committees to carry out the activities further described in paragraph 4 of this Schedule.

2. Safeguard Policies:

The Recipient shall ensure that the Project is implemented in accordance with the provisions of the MWMP and ZMWMP, 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. Community AIDS Response Fund under Parts A and D.1 of the Project:

(a) Regional Facilitating Agents:

The Recipient shall, through TACAIDS and ZAC, select Regional Facilitating Agents that:

- (i) are acceptable to the Association in accordance with the procurement procedures set forth in Schedule 3 to this Agreement, and enter into an implementation agreement with each Regional Facilitating Agent in a form and substance that is satisfactory to the Association describing inter alia the functions to be undertaken by such agents which shall include but are not limited to: (A) disbursing of funds for Parts A and D.1 of the Project to Beneficiaries on behalf of TACAIDS/ZAC, respectively; (B) supervising procurement by the Beneficiaries; and (C) provision of training to LGAs within Mainland Tanzania.
- (ii) meet the respective criteria set forth in the POM/ZPOM, including inter alia that they must have: (A) proven experience in comparable community development activities in the territory of the Recipient and in participatory Project design and implementation; (B) adequate financial capacity and staff as evidenced by inter alia a review of the agent's audited financial statements for the three years preceding calendar year 2003 and its staff composition/qualifications; and (C) experience in carrying out the procurement of goods, works and services.
- (iii) previously managed comparable grants satisfactorily.

(b) Subproject Approval Procedures and Eligibility Criteria:

- (i) The Subproject proposals shall be submitted by each proposed Beneficiary to the respective HIV/AIDS Committee for technical appraisal. Appraisal may be undertaken by the respective LGA in Mainland Tanzania and by PORASD in Zanzibar in cases where the HIV/AIDS Committee has not been established.

- (ii) The Subproject proposals shall, following technical appraisal, be submitted for the respective approval of the LGA or PORASD, as the case may be, for Subprojects in an amount of up to five thousand United States Dollars (US\$5000) and to TACAIDS/ZAC, as the case may be, or a designated regional authority for amounts above this threshold. The selected Subprojects must meet the eligibility criteria set forth in the POM/ZPOM including but not limited to: (A) the proposed activity(s) and Beneficiary must be eligible; (B) the Subproject implementation period must fall within the timeframe of the Project; and (C) the Beneficiary must have the legal capacity to contract under the laws of the Recipient.

- (iii) The LGA/PORASD or the designated regional authority, as the case may be, shall provide copies of all approved Subproject proposals to TACAIDS/ZAC for their records.

- (iv) Following receipt of the approved Subproject proposals, and prior to the disbursement of any Subgrants to the Beneficiaries, TACAIDS/ZAC, as the case may be, shall cause the Regional Facilitating Agent to enter into a Subgrant Agreement with each Beneficiary under terms and conditions which shall include the following:
 - (A) the obligation of the Beneficiary to carry out the Subproject in accordance with the POM/ZPOM, 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;

 - (B) 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;

 - (C) the right of TACAIDS/ZAC, as the case may be, 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;

- (D) the right of TACAIDS/ZAC, as the case may be, to obtain all information as the Association shall reasonably request regarding the administration, operation and financial management of the Subproject;
 - (E) the right of TACAIDS/ZAC, as the case may be, 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
 - (F) the right to receive from the Beneficiary quarterly progress reports and a final report upon completion of the Subproject.
- (v) The Regional Facilitating Agent shall report to TACAIDS/ZAC, as the case may be, and the LGAs on a quarterly basis on the disbursement of funds to the Beneficiaries.

4. Public Sector Response Fund under Parts B and D of the Project:

(a) MDAs:

Prior to receiving support under the Project, each MDA shall prepare an annual sectoral HIV/AIDS plan with proposed activities that are consistent with the requirements set forth in the POM/ZPOM, as the case may be, for the respective approval of TACAIDS/ZAC and the Association, such activities to include:

- (i) MOH: HIV/AIDS prevention activities; medical interventions; procurement of commodities and services; and prevention of mother-to-child HIV/AIDS transmission; and
- (ii) Other MDAs: capacity building; information, education and communication campaigns for ministry staff and their clients;

promotion of condom use; and carrying out of studies on the quantitative and qualitative impacts of the HIV/AIDS epidemic.

(b) LGAs in Mainland Tanzania:

- (i) LGA work plans will be prepared on a sectoral basis taking into account village work plans, with assistance as needed, from the respective line ministries and the Regional Facilitating Agents;
- (ii) the sectoral work plans shall then be consolidated to form a comprehensive work plan for the LGA to be submitted for the approval of PORALG; and
- (iii) the HIV/AIDS Committees shall play a coordinatory role, and shall prepare a summary of the HIV/AIDS activities in the comprehensive work plan prepared in (ii) above for the review of TACAIDS. The respective LGA may undertake this function where the HIV/AIDS Committee has not been established.

5. 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 7 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 April 30 of each year of Project implementation, commencing April 30, 2004; 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.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means for Special Account A, categories 1 (a), 2 (a), 3 (a), 4 (a) and 5 and for Special Account B, categories 1 (b), 2 (b), 3 (b), 4 (b) and 5, as set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(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; and

(c) the term “Authorized Allocation” means: (i) in respect of Special Account A an amount equivalent to \$5,000,000 to be withdrawn from the Grant Account and deposited into the said Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$2,500,000 until the aggregate amount of withdrawals from the Grant Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 10,000,000; and (ii) in respect of the Special Account B an amount equivalent to \$500,000 to be withdrawn from the Grant Account and deposited into the said Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$250,000 until the aggregate amount of withdrawals from the Grant Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 1,000,000.

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

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

(a) For withdrawals of the Authorized Allocation, the 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.

SCHEDULE 6

Modifications to the General Conditions

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

1. Sections 3.02, 3.03, 3.04 (a), 3.04 (b), 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. 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”.

- 5. 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”.

- 6. 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 7

Performance Monitoring Indicators

A. Process/Output Indicators:

1. The percentage of Districts in Zanzibar and LGAs in Mainland Tanzania that have developed and are using comprehensive HIV/AIDS work plans in line with TACAIDS/ZAC guidelines.
2. The percentage of MDAs which have mainstreamed HIV/AIDS into their annual work plans.
3. The percentage of schools with teachers who have been trained in life-skills based HIV/AIDS education and taught it during the most recent academic year.
4. The percentage of young people aged 15 - 24 years in rural and urban areas, respectively, reporting the use of male/female condoms during the last sexual intercourse with a non-regular partner.
5. The median age of the first sexual experience among men and women by age group.
6. The percentage of patients with sexually transmitted infections who are appropriately diagnosed, treated and counseled according to national guidelines.
7. The ratio of current school attendance among orphans to that among non-orphans aged 10 – 14 years.

B. Outcome/Impact Indicators:

8. Percentage of young people aged 15 - 24 years who are infected with HIV.
9. Percentage of pregnant women testing positive for HIV.