

CONFORMED COPY

CREDIT NUMBER 3415-KE

Development Credit Agreement

(HIV/AIDS Disaster Response Project)

between

REPUBLIC OF KENYA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 12, 2000

CREDIT NUMBER 3415-KE

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated October 12, 2000, between REPUBLIC OF KENYA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Association has received the following document, namely, the Borrower's Sessional Paper on HIV/AIDS of 1997, part of which describes a program of actions, objectives and policies designed to implement activities under the Borrower's National AIDS Strategic Plan (the said document being hereinafter referred to as the Program) and declaring the Borrower's commitment to the execution of the Program;

(C) the Project will be carried out by the National AIDS Control Council (NACC) with the Borrower's assistance and, as part of such assistance, the Borrower will make the proceeds of the Credit available to the NACC, as set forth in this Agreement; and

WHEREAS the Association has agreed on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in an agreement of even date

herewith between the Association and NACC (the Project Agreement);

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999) (the General Conditions), constitute an integral part of this Agreement.

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

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

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

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

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

(a) "ACU" means an AIDS Control Unit referred to in paragraph 1 (d) of Schedule 1 to the Project Agreement;

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

(c) "Beneficiary" means a CBO (as hereinafter defined), a private sector entity, including a religious body, an NGO (as hereinafter defined) or a research institution which has met the eligibility criteria set out in the Manual of Procedures and the requirements of Schedule 1 to the Project Agreement and which, as a result, has received or is entitled to receive, a Grant for the carrying out of a Subproject (as hereinafter defined);

(d) "CACCs" means the Constituency AIDS Control Committees established and operating under the laws of the Borrower;

(e) "CBOs" means Community-Based Organizations;

(f) "Coordinating Agencies" means NACC, PACCs, DACCs and CACCs;

(g) "DACCs" means the District AIDS Control Committees established and operating under the laws of the Borrower;

(h) "Eligible Categories" means Categories 1, 2, 3 and 4 set

forth in the table in paragraph 1 of Schedule 1 of this Agreement;

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

(j) "Fiscal Year" or "FY" means the twelve-month period beginning July 1 and ending June 30 of each Year;

(k) "Grant Agreement" means the agreement referred to in paragraph 3 (b) of Schedule 1.A of this Agreement;

(l) "Grant" means a grant to be made to finance a Subproject or other activity pursuant to Part C of the Project;

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

(n) "IAPSO" means the Inter-Agency Procurement Services of the United Nations Development Programme;

(o) "IEC materials" means information, education and communication materials;

(p) "Implementing Agencies" means the ACUs, private sector entities, the NGOs, the CBOs, the Network of People Living with HIV/AIDS and research organizations participating in the Project;

(q) "Manual of Procedures" means the manual of procedures for the Community Initiative Account referred to in paragraph 6 (c) of Schedule 2 to the Project Agreement;

(r) "NACC" means the National AIDS Control Council a corporate body established in December 1999 pursuant to the Borrower's National AIDS Policy Act of 1997, as amended to the date of this Agreement;

(s) "National AIDS Strategic Plan" means the National AIDS Strategic Plan of the Borrower dated July 2000;

(t) "NGO" means a non-profit entity established and operating under the laws of the Borrower;

(u) "OP" means the Borrower's Office of the President;

(v) "PACCs" means the Provincial AIDS Control Committees established and operating under the laws of the Borrower;

(w) "Project Agreement" means the agreement between the Association and NACC, of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(x) "Project Implementation Plan" means the Project Implementation Plan which shall include the Manual of Procedures as hereinafter defined, for the Community Initiative Account referred to in paragraph 6 (a) of Schedule 2 to the Project Agreement;

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

(z) "Project Oversight Committee" means the committee to be established pursuant to paragraph 5 (b) of Schedule 2 to the Project Agreement;

(aa) "Project Year" means the 12 month period beginning from the

Effective Date and ending 12 months thereafter and each successive 12 month period following thereafter;

(ab) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(ac) "Subproject" means a subproject or activity to be carried out under Part C of the Project which having met the eligibility criteria set out in the Manual of Procedures and the provisions of Schedule 2 to the Project Agreement is eligible for financing, on a grant basis, in accordance with the provisions of the Manual of Procedures; and

(ad) "Subsidiary Financing Agreement" means the agreement to be entered into between the Borrower and NACC pursuant to Section 3.02 (a) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Financing Agreement.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to thirty seven million nine hundred thousand Special Drawing Rights (SDR 37,900,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for (i) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Credit; and (ii) amounts paid (or, if the Association shall so agree, amounts to be paid) by the Borrower on account of withdrawals made to need the reasonable cost of goods, works and services required for any Subproject in respect of which the withdrawal from the Credit Account is requested.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account 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 Account shall be made in accordance with the provisions of Schedule 1 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2005 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid (i) at such places as the Association shall reasonably request; (ii) without restrictions of

any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on March 1 and September 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 1 and September 1 commencing March 1, 2011 and ending September 1, 2040. Each installment to and including the installment payable on September 1, 2020 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(d) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(e) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. The Chief Executive of NACC shall be designated by the Minister responsible for finance as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provision of Section 2.02 of this Agreement and Article V of

the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause NACC to perform in accordance with the provisions of the Project Agreement all the obligations of NACC therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable NACC to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

Section 3.02. (a) The Borrower shall make available to NACC, as a grant, the proceeds of the Credit under a subsidiary financing agreement to be entered into between the Borrower and NACC under terms and conditions which shall have been approved by the Association.

(b) The Borrower shall exercise its rights under the Subsidiary Financing Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Financing Agreement or any provision thereof.

Section 3.03. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to the Project Agreement.

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

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan designed to ensure the continued achievement of the Project's objectives; and

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

Section 3.05. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project shall be carried out by NACC pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of Project Management Reports, the Borrower shall:

(i) maintain or cause to be maintained in accordance with sound accounting practices, records and separate

accounts reflecting such expenditures;

(ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made; and

(iii) enable the Association's representatives to examine such records.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) (i) of this Section and those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including a separate opinion by said auditors as to whether the Project Management Reports 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; and

(iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

Section 4.02. The Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter, a Project Management Report for such period, which:

(a) (i) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report; and (ii) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditure proposed to be financed out of proceeds of the Credit during the six-month period following the period covered by said report;

(b) (i) describes physical progress in Project implementation, both cumulatively and for the period covered by said report; and (ii) explains variances between the actual and previously forecast implementation targets; and

(c) sets forth the status of procurement under the Project and expenditures under contract financed out of the proceeds of the Credit, as at the end of the period covered by said report.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General

Conditions, the following additional events are specified:

(a) NACC shall have failed to perform any of its obligations under the Project Agreement; and

(b) as a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that NACC will be able to perform its obligations under the Project Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower.

ARTICLE VI

Effective Date; Termination

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

(a) the Subsidiary Financing Agreement has been executed on behalf of the Borrower and NACC;

(b) the Borrower has furnished to the Association a Project Implementation Plan in form and substance satisfactory to the Association; and

(c) NACC has appointed the following key staff with qualifications and under terms and conditions acceptable to the Association: (i) Director; (ii) Procurement Manager; (iii) Deputy Director, Finance and Administration; (iv) Finance Manager; (v) IEC Manager; (vi) Private Sector/Civil Society Manager; (vii) Deputy Director, Technical Services; and (viii) Manager, Monitoring and Evaluation.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the Project Agreement has been duly authorized or ratified by NACC, and is legally binding upon NACC in accordance with its terms; and

(b) that the Subsidiary Financing Agreement has been duly authorized or ratified by the Borrower and NACC and is legally binding upon the Borrower and NACC in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the

purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance & Planning
P.O. Box 30007
Nairobi
Kenya

Cable address:	Telex:	Facsimile:
FINANCE Nairobi	22921 MINFIN-KE	254-2-260382

For the Association:

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

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

477-6391

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

REPUBLIC OF KENYA

By /s/ Felistas V. Khayumba
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo
Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

A. General

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

Amount of the Credit Allocated (Expressed in	% of Expenditures
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Category	SDR Equivalent)	to be Financed
(1) Equipment, supplies expenditures vehicles, IEC materials expenditures and other goods for:		100% of foreign and 90% of local
(a) Part A of the Project	2,600,000	
(b) Part B of the Project	3,300,000	
(2) Consultant services and training for:		100%
(a) Part A of the Project	4,000,000	
(b) Part B of the Project	2,400,000	
(3) Grants under Part C of the Project	22,750,000	100% of amounts disbursed
(4) Incremental operating costs	950,000	90%
(5) Unallocated	1,900,000	
TOTAL	37,900,000	

2. For the purposes of this Schedule:

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

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

(c) the term "Incremental Operating Costs" means the incremental operating costs arising under the Project on account of maintenance of vehicles, fuel, equipment, office supplies, utilities, consumables, travel per diems and allowances, travel and accommodation, office rental and Project support staff but excluding salaries of the Borrower's civil servants.

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

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

(b) expenditures for Grants under Category (3) unless (i) the Borrower has furnished to the Association a Manual of Procedures in form and substance satisfactory to the Association; (ii) the Beneficiary concerned has entered into a Grant Agreement with the NACC; (iii) the Grant in question has been made in accordance with the procedures, guidelines and other provisions set out or referred to in the Manual of Procedures and this Agreement; and (iv) NACC has employed the Financial Management Agency referred to in Section 2.06 of the Project Agreement; and

(c) payments for expenditures for goods and services supplied under a contract which any national or international financing institution or agency, other than the Association, shall have financed or agreed to finance under any other credit or grant.

B. Special Account

1. The Borrower shall open and maintain in a commercial bank a separate (special deposit account) on terms and conditions satisfactory to the Association including appropriate protection against set-off, seizure and attachment.

2. After the Association has received (a) evidence satisfactory to it that the Special Account has been opened; (b) the first Project Management Report referred to in Section 4.02 of this Agreement; and (c) a request from the Borrower for withdrawal on the basis of Project Management Reports, withdrawals from the Credit Account of amounts to be deposited into said Special Account shall be made in accordance with the provisions of Annex A to this Schedule.

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

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

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

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

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

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

6. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may

request, or deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

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

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

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

Annex to SCHEDULE 1

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

1. Except as the Association may otherwise specify by notice to the Borrower, all withdrawals from the Credit Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the said Special Account's Eligible Categories.

2. Each application for withdrawal from the Credit Account for deposit into the Special Account shall be supported by a Project Management Report.

3. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of (a) the amount so requested; and (b) the amount which the Association has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in the said Special Account, shall not exceed the equivalent of \$10,000,000.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in carrying out the National HIV/AIDS Strategic Plan to: (i) reduce the spread of the HIV/AIDS epidemic in Kenya; (ii) mitigate the socio-economic impact of HIV/AIDS; (iii) increase access to the care and support for people infected or affected by the HIV/AIDS epidemic; and (iv) achieve, with the active and broad participation of communities, the multi-sectoral HIV/AIDS primary targets set out in the said Plan.

The Project consists of the following Parts, subject to such

modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Support to Line Ministries

Under the HIV/AIDS Strategic Plan, facilitating and supporting the mainstreaming of HIV/AIDs related activities into all line ministries in a phased manner through the project period, including:

(a) the strengthening of the capacity of the said ministries to develop policies and activities designed to stem the spread of the HIV/AIDS epidemic;

(b) the preparation and implementation by the said ministries of work-programs enabling a sector-specific response to be made to the HIV/AIDS epidemic, including the development and strengthening of the capacity of AIDS Control Units in each Ministry to provide effective leadership especially in policy, institutional development, resource mobilization, activity implementation and advocacy; and

(c) the mobilization of the entire public sector to incorporate into their core functions HIV/AIDS control efforts.

Part B: Coordination of Program and Project Activities

1. (a) The strengthening of the capacity of NACC and the other Coordinating Agencies to coordinate Program and Project activities, including the provision of equipment, facilities, training, technical assistance and resources to the Coordinating Agencies.

(b) Assisting NACC and the other Coordinating Agencies to monitor the progress of the Program and Project activities to ensure the progress of the said activities towards implementing the National HIV/AIDS Strategic Plan.

2. The carrying out of an information campaign to publicize widely to the population in the Borrower's territory and stakeholders the roles and responsibilities of NACC, the Implementing Agencies and the Coordinating Agencies.

Part C: Supporting Community, Private Sector and Research Institutions Initiatives

1. (a) Establishment of an HIV/AIDS Community Initiative Account to provide funds, on a grant basis, to communities, civil society organizations, private sector entities, including religious bodies, and research institutions for use in the identification, preparation, implementation, management and maintenance of community driven subprojects including research initiatives and capacity strengthening of community based organizations all aimed at the prevention, care and mitigation of the social impact of the further spread of HIV/AIDS.

(b) Facilitating NGOs to support said community initiatives where needed.

(c) Supporting the establishment of CBOs to support said community initiatives where needed.

2. Assistance to research institutions in the carrying out of research initiatives aimed at supporting the effectiveness of said community initiatives.

* * *

The Project is expected to be completed by December 31, 2004.

