

CONFORMED COPY

CREDIT NUMBER 3629 CV

Development Credit Agreement

(HIV/AIDS Project)

between

REPUBLIC OF CAPE VERDE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 17, 2002

CREDIT NUMBER 3629 CV

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 17, 2002, between REPUBLIC OF CAPE VERDE (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 Project is part of the second phase of the Multi-Country AIDS Program (MAP II) for the Africa Region, approved by the Board of Executive Directors of the Association on February 7, 2002;

(C) the Association has received from the Borrower the National Strategic HIV/AIDS Plan dated February 28, 2002, an action plan containing details of the design and content of the Borrower's national multisectoral strategy to fight the HIV/AIDS epidemic that was prepared through a participatory approach under the leadership of the Coordination Committee to Combat AIDS (CCS-SIDA) (said document being hereinafter referred to as the "Program") and declaring the Borrower's commitment to the execution of the Program; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

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

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

- (a) "AIDS" means the Acquired Immune Deficiency Syndrome;
- (b) "Action Plan" means any document describing a set of activities to fight the HIV/AIDS epidemic carried out by a PSO (as hereinafter defined), including prevention treatment, care and mitigation of negative impact;
- (c) "BCV" means *Banco de Cabo Verde*, the Borrower's central bank established by the Borrower's Decree-Law No. 42/93 dated July 15, 1993;
- (d) "Cape Verde Escudo" means the currency of the Borrower;

(e) “CCS-SIDA” means *Comitê de Coordenação do Combate à SIDA*, the Borrower’s National Council for the fight against HIV/AIDS, established and operating under the Office of the Prime Minister and pursuant to the Decision of the Borrower’s Prime Minister “*Despacho No. 50/2001*” dated July 4, 2001;

(f) “CCS-SIDA Executive Secretariat” means the administrative body of the CCS-SIDA, responsible for project facilitation, coordination and administration, established and operating pursuant to the Decision of the Borrower’s Prime Minister “*Despacho No. 50/2001*” dated July 4, 2001;

(g) “CSO” means a civil society organization established and operating under the laws of the Borrower, including rural or urban communities, grass-root organizations, religious and cultural organizations, professional and non-professional associations, private enterprises, NGOs and community-based associations involved in the fight against HIV/AIDS and which have met the eligibility criteria set out in the Project Operational Manual and the requirements of Schedule 4 to this agreement and, as a result, have received or are entitled to receive a Grant (as hereinafter defined) through a Grant Agreement (as hereinafter defined) for the carrying out of a CSO Subproject;

(h) “CSO Subproject” means any document describing a set of activities to fight the HIV/AIDS epidemic and carried out by a CSO and financed, or proposed to be financed, through a Grant under the Project;

(i) “EMPROFAC” is the Borrower’s parastatal organization responsible for purchasing drugs and medical equipment for the private and public sectors, established and operating pursuant to the Borrower’s Decree-Law No 28/97 dated May 20, 1997;

(j) “Financial, Administrative and Accounting Manual” means the manual to be adopted pursuant to Section 6.01 (b) of this Agreement and referred to in paragraph 1 of Schedule 4 to this Agreement, outlining financial, administrative and accounting procedures and guidelines to be followed in the implementation of the Project;

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

(l) “Grant” means a grant made, or proposed to be made to a CSO by CCS-SIDA or by a Municipal Committee to finance a CSO Subproject;

(m) “Grant Agreement” means an agreement for the financing of a CSO Subproject and referred to in paragraph 5 of Schedule 4 to this Agreement;

(n) “HIV” means the Human Immuno-Deficiency Virus;

(o) “IEC” means information, education, communication;

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

(q) “Line Ministries” means the following ministries or secretariats of state: MOFP, MOD, MOJA, MOHES, MOIT, MOECS, MOFACC, MOAF, MOTIC, OPM, SSFA, SSPAD,

SSY, SSSRPALA (as hereinafter defined);

(r) “LPSO” means a local public sector organization including municipalities and local public entities and companies existing and operating at the local level under the laws of the Borrower;

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

(t) “Midterm Review” means the midterm review referred to in paragraph 7 of Schedule 4 to this Agreement;

(u) “MOFP” means the Borrower’s Ministry responsible for finance and planning;

(v) “MOD” means the Borrower’s Ministry responsible for defense;

(w) “MOJIA” means the Borrower’s Ministry responsible for justice and internal administration;

(x) “MOHES” means the Borrower’s Ministry responsible for health, employment and solidarity;

(y) “MOIT” means the Borrower’s Ministry responsible for infrastructure and transport;

(z) “MOECS” means the Borrower’s Ministry responsible for education, culture and sports;

(aa) “MOFACC” means the Borrower’s Ministry responsible for foreign affairs, cooperation and communities;

(bb) “MOAF” means the Borrower’s Ministry responsible for agriculture and fisheries;

(cc) “MOTIC” means the Borrower’s Ministry responsible for tourism, industry and commerce;

(dd) “Monitoring and Evaluation Manual” means the manual to be adopted pursuant to Section 3.05 of this Agreement and referred to in paragraph 1 of Schedule 4 to this Agreement, outlining monitoring and evaluation procedures and guidelines to be followed in the implementation of the Project;

(ee) “Municipal Account” means each of the seventeen new, separately and independently managed advance accounts of the Special Account referred to in Section 2.02 (b) and in Schedule 5 to this Agreement.

(ff) “Municipal Committees” means the HIV/AIDS committees responsible to develop strategies and Action Plans to fight HIV/AIDS at the municipal or inter-municipal level,

established and operating under the laws of the Borrower;

(gg) “NGOs” means non-governmental organizations, established and operating under the laws of the Borrower;

(hh) “NPSO” means a national public sector organization including ministries, secretariats of state, parastatal companies and public agencies existing and operating at the central level under the laws of the Borrower;

(ii) “OPM” means the Borrower’s Office of the Prime Minister;

(jj) “PLWHA” means people living with HIV/AIDS;

(kk) “PSO” means a public sector organization, including NPSOs and LPSOs;

(ll) “Project Account” means the account to be opened pursuant to Section 3.02 of this Agreement;

(mm) “Project Operational Manual” means the manual to be adopted pursuant to Section 6.01 (b) of this Agreement and referred to in paragraph 1 of Schedule 4 to this Agreement, outlining policies, procurement and implementation procedures and monitoring guidelines for the Project;

(nn) “Project Year” means the twelve-month period beginning from the Effectiveness Date and any subsequent Project Year;

(oo) “Sector Focal Team” means a team within the Borrower’s Line Ministries, in charge of preparing, reviewing and implementing an Action Plan for said Line Ministries;

(pp) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement;

(qq) “SSAPM” means the Secretariat of State to the office of the Prime Minister;

(rr) “SSFA” means the Borrower’s Secretariat of State for foreign affairs;

(ss) “SSPAD” means the Borrower’s Secretariat of State for parliamentary affairs and defense;

(tt) “SSY” means the Borrower’s Secretariat of State for youth;

(uu) “SSSRPALA” means the Borrower’s Secretariat of State for State reform, public administration and local authority; and

(vv) “STIs” means sexually transmitted infections.

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 seven million three hundred thousand Special Drawing Rights (SDR 7,300,000).

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

(b) The Borrower may, for the purposes of the Project, open and maintain: (i) in dollars, a special deposit account in BCV on terms and conditions satisfactory to the Association; and (ii) in Cape Verde Escudos, seventeen Municipal Accounts, all said Municipal Accounts in commercial banks 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 and each respective Municipal Accounts shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2006 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

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

withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on August 1 and February 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 August 1 and February 1 commencing August 1, 2012 and ending February 1, 2042. Each installment to and including the installment payable on February 1, 2022, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

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

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

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

ARTICLE III

Execution of the Project

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

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

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

(a) open and maintain in Cape Verde Escudos in BCV, in the name of CCS-SIDA, an account (the Project Account) on terms and conditions satisfactory to the Association;

(b) deposit into the Project Account an initial amount in Cape Verde Escudos equivalent to \$50,000 (the Initial Deposit);

(c) thereafter deposit into the Project Account, at quarterly intervals during Project implementation, an amount or amounts as may be required and agreed upon with the Association to timely replenish the Project Account back to the amount of the Initial Deposit; and

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

Section 3.03. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

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

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

future achievement of the objectives of the Project; and

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

Section 3.05. The Borrower shall furnish to the Association, no later than five months after the effectiveness date, and thereafter implement, the Monitoring and Evaluation Manual, in form and substance satisfactory to the Association.

ARTICLE IV

Financial Covenants

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

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

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

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

Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the 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 Borrower's progress reporting obligations set out in Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Association a Financial Monitoring Report, in form and substance satisfactory to the Association, which:

- (i) sets forth actual and projected sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the projected and actual sources and 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 previously forecast and actual implementation targets; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional event is specified, namely that a situation has arisen which shall make it improbable that the Program or a significant part thereof will be carried out.

ARTICLE VI

Effective Date; Termination

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

- (a) the Project Account has been opened and the Initial Deposit deposited therein;
- (b) the Borrower has adopted: (i) an accounting, financial and management system for the Project; (ii) the Project Operational Manual; (iii) the Financial, Administrative and Accounting Manual; (iv) a procurement plan for the first Project Year; and (v) a Medical Waste Management Plan; all in form and substance satisfactory to the Association;
- (c) the Borrower has, in accordance with the provisions of Section II of Schedule 3 to this Agreement, appointed a firm acceptable to the Association to be responsible for the carrying out of Project audits; and
- (d) the Borrower has provided satisfactory evidence that FMRs can be produced.

Section 6.02. The date ninety days (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower at the time responsible for finance 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
C.P. 30
Praia,
Cabo Verde

Cable address:
COORDENACAO
Cape Verde

Telex:
608 MCECV

Facsimile:
(238) 61 38 97

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 CAPE VERDE

By: /s/ José Brito
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Theodore Ahlers
Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works	460,000	90%
(2) Goods:		100% of foreign expenditures and 90% of local expenditures
(a) vehicles and office equipment	870,000	
(b) drugs, tests and medical supplies	1,130,000	
(3) Consultants' services, training and audits	1,600,000	100%
(4) Grants for CSO Subprojects	1,680,000	100% of amounts disbursed
(5) Operating costs	470,000	90% of local expenditures
(6) Unallocated	1,090,000	
TOTAL	7,300,000	

2. For the purposes of this Schedule:

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

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

(c) the term "operating costs" means the incremental expenditures incurred on account of Project implementation, including office furniture and supplies, vehicle operation and maintenance, communication and insurance costs, bank charges on Special Accounts and Municipal Accounts, rental expenses, office maintenance costs, utilities, travel cost for Project staff and salaries of support contractual staff for the Project, excluding salaries of officials of the

Borrower's civil service; and

(d) the term "training" includes scholarships, stipends, travel, purchase of training materials and rental of training facilities.

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

(a) a grant under Category (4) to a CSO for a CSO Subproject under a Grant Agreement unless: (i) the Grant Agreement has been made in accordance with eligibility criteria and on terms and conditions set forth or referred to in the Project Operational Manual and the provisions of paragraph 5 of Schedule 4 to this Agreement, and (ii) for CSO Subprojects under \$10,000 equivalent per Grant Agreement, the Municipality has an Action Plan in place; and

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

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

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in: (i) reducing the spread of HIV/AIDS in the Borrower's population; (ii) mitigating the health and socioeconomic impact of HIV/AIDS on persons infected with or affected by HIV/AIDS within the Borrower's territory, thus sustaining an economically productive population; and (iii) building strong and sustainable national capacity to respond to the HIV/AIDS epidemic.

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: Capacity Building

Assisting PSOs and CSOs to implement their Action Plans and Subprojects by supporting capacity building activities, including the improvement of HIV/AIDS surveillance system, training for their staff, socioeconomic development research, cost and projection models and budget planning through the provision of technical advisory services and training and the

acquisition of goods and equipment.

Part B: Public Sector Initiatives

1. National Initiatives

Supporting NPSOs in their initiatives against HIV/AIDS through prevention, control and support activities and the preparation and execution of Action Plans, carried out directly or contracted out, detailing, among other things, the measures to be taken by national public sector staff and the population they serve to initiate or strengthen their fight against HIV/AIDS, including: (i) conducting IEC activities (including through the provision of training for national administration leaders as IEC agents) on the impact of the HIV/AIDS epidemic and promoting behavioral changes and safe sex practices (including the use of condoms); (ii) expanding social assistance networks in prevention, care and support activities for NPSOs staff; (iii) creating social funds to enable PLWHA and their families to cope with HIV/AIDS; (iv) expanding counseling as well as psychological and material support for PLWHA and their families; (v) improving early detection and treatment of STIs, tuberculosis and other opportunistic infections, safe blood transfusions and anonymous and voluntary testing services including training to health staff; (vi) controlling mother-to-child transmission through anti-retroviral therapy; (vi) reviewing and, as necessary, reforming relevant laws and regulations affecting PLWHA; and (vii) preparing gender-responsive sectors-specific HIV/AIDS communication plans in Line Ministries; all through the provision of technical advisory services and training, the acquisition of goods and equipment, drugs, medical materials and equipment and the execution of works for the rehabilitation and extension of existing social infrastructure.

2. Municipal Initiatives

Supporting LPSOs in their initiatives against HIV/AIDS through prevention, control and support activities and the preparation and execution of Action Plans, carried out directly or contracted out, detailing, among other things, the measures to be taken by municipal staff and the population they serve to initiate or strengthen their fight against HIV/AIDS, including: (i) conducting IEC activities through municipal and community leaders, teachers and school management teams on the impact of the HIV/AIDS epidemic and promoting behavioral changes and safe sex practices (including the use of condoms); (ii) improving HIV/AIDS-related health services offered at municipal facilities, such as early detection and treatment of STIs, tuberculosis and other opportunistic infections; (iii) expanding counseling as well as anonymous and voluntary testing services offered at municipal facilities; and (iv) training municipal staff and local leaders in HIV/AIDS-related skills; all through the provision of technical advisory services and training, the acquisition of goods and equipment, drugs, medical materials and equipment and the execution of works for the rehabilitation and extension of existing social infrastructure.

Part C: Civil Society and Private Sector Initiatives

Supporting CSOs at the national and local level in their initiatives against HIV/AIDS through prevention, control and support activities and the preparation and execution of Subprojects, carried out directly or contracted out, detailing, among other things, the measures to

be taken by their staff and by their members to initiate or strengthen their fight against HIV/AIDS, including: (i) conducting IEC activities on the impact of the HIV/AIDS epidemic and supporting the formal and informal education sectors to carry messages about HIV/AIDS and promote behavioral changes; (ii) promoting the use of condoms through social marketing and distribution; (iii) expanding community-based HIV/AIDS networks in prevention, care and support activities; (iv) investing in revenue-generating activities for PLWHA and their families; (v) providing home and community-based care for PLWHA; and (vi) supporting orphans, foster families and AIDS-stricken impoverished households, including those headed by females, children and elderly, by providing material and psychological support including scholarships; all through the provision of grants approved in accordance with the Project Operational Manual.

Part D: Project Facilitation, Coordination, Monitoring and Evaluation

1. Strengthening the capacity of the Secretariat of CCS-SIDA to facilitate, coordinate, monitor and evaluate HIV/AIDS prevention, care and support activities, as embodied in the Program, through the provision of technical advisory services and training and the acquisition of goods and equipment.

2. Contracting out an external entity to: (i) assist CCS-SIDA in administrative, procurement and financial tasks; (ii) monitor and evaluate activities to ensure an independent analysis and the tracking of Program performance against targets and variations in accordance with the protocols set forth or referred to in the Project Operational Manual; and (iii) carry out project audits.

* * *

The Project is expected to be completed by June 30, 2006.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods 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).

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 and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

3. Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$600,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Works estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$800,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International or National Shopping

Small office equipment, medical products, off-the-shelf goods as well as standard specification supplies for individual contracts estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$300,000 equivalent, may be procured in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines under contracts awarded on the basis of: (i) national shopping procedures, if available locally; or (ii) international shopping procedures, if not available locally.

3. Direct Contracting

Proprietary items, such as drug and medical equipment may be procured from EMPROFAC with the Association's prior agreement, in accordance with the provisions of paragraph 3.7 of the Guidelines.

4. Procurement from UN Agencies

Goods, including drugs and medical supplies, estimated to cost \$100,000 equivalent or less, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured from the Inter-Agency Procurement Services Office of the United Nations (IAPSO), the United Nations Population Fund (UNFPA), and the World Health Organization (WHO), in accordance with the provisions of paragraph 3.9 of the Guidelines.

5. Community Participation

Goods and works required for CSO Subprojects shall be procured in accordance with the provisions of paragraph 3.15 of the Guidelines and in accordance with procedures acceptable to the Association as defined in the Project Operational Manual.

6. Procurement of Small Works

Works estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$600,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded in accordance with the provisions of paragraph 3.5 of the Guidelines on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

With respect to each contract for goods or works 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 the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines).

Part B: Quality- and Cost-based Selection

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

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants, estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

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

2. Selection Based on Consultants' Qualifications

Services for training and supervision of small works estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Single Source Selection

Services for: (i) training; (ii) consulting assignment provided by NGOs or other organizations to assist in the design of PSO Action Plans and CSO Subprojects; and (iii) consulting assignment estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent 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 for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines (including services for small studies) shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph.

2. Prior Review

(a) The procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply with respect to the following, namely: (i) the contracts for the employment of consultants firms estimated to cost the equivalent of \$100,000 or more; and (ii) the contracts for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more; and

(b) the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply with respect to the contracts for the employment of consultants firms estimated to cost the equivalent of \$50,000 or more but less than the equivalent of US\$100,000.

3. Post Review

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

SCHEDULE 4

Implementation Program

1. General

The Borrower shall carry out the Project in accordance with the Project Operational Manual, the Financial, Administrative and Accounting Manual, the Monitoring and Evaluation Manual and the Medical Waste Management Plan, and except as the Association shall otherwise agree, shall not amend or waive any provision of these Manuals or of this Plan without the Association's prior written approval. These Manuals and this Plan will not be amended or waived if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

2. CCS-SIDA

(a) The Borrower shall maintain CCS-SIDA, including the CCS-SIDA Executive Secretariat, in a form and with functions, staffing and resources satisfactory to the Association, in accordance with the Project Operational Manual.

(b) The Borrower shall cause the CCS-SIDA Executive Secretariat to carry out the daily facilitation, coordination, monitoring and evaluation of the Project, including the signing of Grant Agreements with CSOs for CSO Subprojects, in accordance with the Project Operational Manual.

3. Municipal Committees

The Borrower shall cause its Municipal Committees to facilitate the implementation and coordination of the Project at the local level, including the signing of Grant Agreements with CSOs for CSO Subprojects, in accordance with the Project Operational Manual.

4. Line Ministries

The Borrower shall cause its Line Ministries, through their Sector Focal Team, to prepare in collaboration with CCS-SIDA Executive Secretariat their annual Action Plan.

5. CSO Subprojects

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

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

(b) CSO Subprojects shall be carried out pursuant to Grant Agreements, to be received, reviewed and selected, approved and signed by CCS-SIDA Executive Secretariat or a

Municipal Committee and the concerned CSO, under terms and conditions satisfactory to the Association, which shall include the following:

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

6. Monitoring and Evaluation Reports

The Borrower shall:

- (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with performance indicators satisfactory to the Association,

the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about 30 days after each calendar quarter starting on the first calendar quarter for 2003, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, on or about 60 days after each calendar quarter starting on the first calendar quarter for 2003, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

7. Midterm Review

(a) The Borrower shall, no later than June 30, 2004, carry out jointly with the Association, a Midterm review of the progress made in carrying out the Project.

(b) The Borrower shall carry out, no later than one month after the completion of the Midterm Review, the Recommendations of the Midterm Review as agreed with the Association.

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

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (5) 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 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; and

(c) the term "Authorized Allocation" means an amount equivalent to \$700,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to

paragraph 3(a) of this Schedule.

2. Payments out of the 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 Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the 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 Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to 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 Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit 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 Borrower out of the Special Account and the Municipal Accounts, 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.

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

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit 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 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 the records and accounts for the Special Account;

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

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

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the 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 the 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 Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) 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 or the portion thereof not so eligible or justified. 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 shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, 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 paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in

accordance with the relevant provisions of this Agreement, including the General Conditions.

7. Municipal Accounts:

(a) The Borrower shall withdraw from the Special Account and deposit into each Municipal Account the funds to assist the municipalities to pay for Grants for CSO Subprojects, LPSO Action Plans and related operating costs under the Project. Such withdrawals or deposits shall be in amounts sufficient to assist each municipality to pay exclusively for such Grants for CSO Subprojects, LPSO Action Plans and related operating costs provided that in no event the Borrower shall cause the amount held in any municipality to exceed an amount in Cape Verde Escudos equivalent to: \$50,000 for Praia; \$40,000 for São Vicente, \$14,000 for Paúl, \$14,000 for Ribeira Grande, \$14,000 for Porto Novo, \$14,000 for São Nicolau, \$14,000 for Sal, \$14,000 for Boa Vista, \$14,000 for Maio, \$14,000 for Tarrafal, \$14,000 for Santa Catarina, \$14,000 for São Miguel, \$14,000 for Santa Cruz, \$14,000 for São Domingos, \$14,000 for Mosteiros, \$14,000 for São Felipe and \$14,000 for Brava.

(b) Payments out of Municipal Accounts shall only be made for eligible expenditures in respect of Categories (1) to (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

(c) Any withdrawal from any of the Municipal Accounts must be justified to the Borrower by the same documentation and other evidence regarding eligible expenditures provided for under paragraph 3 of this Schedule.

(d) If the Association or the Borrower shall have determined at any time that any amount outstanding on any of the Municipal accounts will not be required to cover further payments for eligible expenditures, the relevant Municipal Committee shall, promptly upon notice from the Association or the Borrower, refund said outstanding amount to the Special Account.

