

CONFORMED COPY

CREDIT NUMBER 3589 MAG

Development Credit Agreement
(Multisectoral STI/HIV/AIDS Prevention Project)

between

REPUBLIC OF MADAGASCAR

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 14, 2001

CREDIT NUMBER 3589 MAG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated December 14, 2001, between REPUBLIC OF MADAGASCAR (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower has issued its Plan Stratégique National de Lutte Multisectorielle Contre le VIH/SIDA, a national strategy to combat HIV/AIDS, describing a program of actions, objectives and policies, designed to promote a multisectoral response to the HIV/AIDS crisis (hereinafter referred to as "the Program"), and declared its commitment to the execution of the Program;

(B) 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;

(C) the Executive Directors of the Association approved on September 12, 2001, the Multi-Country HIV/AIDS Program for the Africa region estimated in the amount of SDR 378,400,000 over a period of three years;

(D) the Project is part of the Multi-Country HIV/AIDS Program for the Africa Region; 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), with the modifications set forth below to this Agreement (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) "AIDS" means acquired immune deficiency syndrome;

(b) "Beneficiary" means beneficiary of a Grant;

(c) "BCN" means the Bureau de Coordination Nationale, the executive bureau of CCN, referred to in paragraph 1 (b) of Schedule 4 to this Agreement;

(d) "CCN" means the Cellule de Coordination Nationale des Actions de Lutte Contre le VIH/SIDA, a national AIDS council, referred to in paragraph 1 (a) of Schedule 4 to this Agreement;

(e) "Conseil" means the Conseil du Projet Multisectoriel de Prévention du SIDA, the management council of the Multisectoral STI/HIV/AIDS Prevention Project, referred to in paragraph 3 (a) of Schedule 4 to this Agreement;

(f) "CS" means the Comité Sectoriel, a sectoral committee, referred to in paragraph 2 of Schedule 4 to this Agreement;

(g) "Eligible Categories" means Categories (1) through (4) set forth in the table in Part A.1 of Schedule 1 to this Agreement in respect of Parts A, C and D of the Project, and Category (5) set forth in said table in respect of Part B of the Project;

(h) "Eligible Expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project, as well as amounts paid or to be paid under Grants, 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 Part A.1 of Schedule 1 to this Agreement;

- (i) "Financial Monitoring Report" means each report prepared in accordance with Section 4.02 of this Agreement;
- (j) "Fiscal Year" means a twelve-month period beginning on January 1 in any year and ending on December 31 of the same year;
- (k) "FMA" means the Financial Management Agency referred to in paragraph 6 of Schedule 4 to this Agreement;
- (l) "Fund" means the fund established or to be established under Part B of the Project;
- (m) "Grant" means a grant made, or to be made, out of the proceeds of the Credit to finance a Subproject;
- (n) "Grant Agreement" means an agreement referred to in paragraph 9 (g) of Schedule 4 to this Agreement, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Grant Agreement;
- (o) "HIV" means human immuno-deficiency virus;
- (p) "IEC" means information, education and communications;
- (q) "Procedures Manual" means the Procedures Manual referred to in paragraph 5 (a) (ii) of Schedule 4 to this Agreement, as same may be amended from time to time in agreement with the Association, and such term includes any schedules to the Procedures Manual;
- (r) "Project Account" means the Project Account referred to in Section 3.04 (a) to this Agreement;
- (s) "Project Implementation Manual" means the Project Implementation Manual referred to in paragraph 5 (a) (i) of Schedule 4 to this Agreement, as same may be amended from time to time in agreement with the Association, and such term includes any schedules to the Project Implementation Manual;
- (t) "Financial Management Report" "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association on May 22, 2001, and countersigned on behalf of the Borrower on May 23, 2001;
- (u) "Province" means any one or more of six administrative subdivisions of the Borrower's territory;
- (v) "Sector" means any one or more of the following sectors which have been identified as being critical to, or relevant for, STI/HIV/AIDS prevention activities: education; health; information; culture and communication; infrastructure; labor; population; rural development; and security;
- (w) "Special Account" means either or both of the accounts referred to in Part B of Schedule 1 to this Agreement;
- (x) "STI" means sexually transmitted infection;
- (y) "Subproject" means any activity under Part B of the Project, in respect of which a Grant has been, or may be, provided; and
- (z) "UGP" means the Unité de Gestion du Projet, a Project management unit, referred to in paragraph 3 (b) of Schedule 4 to this 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 fifteen million seven hundred thousand Special Drawing Rights (SDR 15,700,000).

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 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, to be paid) on account of withdrawals made under a Grant to meet the reasonable cost of eligible expenditures relating to a Subproject, and in respect of which the withdrawal from the Credit Account is requested.

(b) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be 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 June 1 and December 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 June 1 and December 1, commencing June 1, 2012, and ending December 1, 2041. Each installment to and including the installment payable on December 1, 2021, 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.

Section 2.09. For purposes of Part B of the Project, FMA is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V 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 with due diligence and efficiency and in conformity with appropriate technical, administrative and financial practices, and with due regard to environmental and public health considerations, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

(c) For purposes of Part B of the Project, the Borrower shall establish a fund to which it shall allocate the proceeds of the Credit allocated to Category (5) of the table in paragraph 1 of Part A.1 of Schedule 1 to this Agreement to be used to finance Grants under terms and conditions which shall have been approved by the Association, and which shall include the terms and conditions set forth in paragraph 9 of Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the 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 objectives of the Project; and

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

Section 3.04. Without limitation upon its obligations under Section 3.01 of this Agreement, the Borrower shall:

(a) maintain, in a commercial bank and on terms and conditions satisfactory to the Association, an advance account in the currency of the Borrower (hereinafter referred to as the Project Account), to be operated and maintained by UGP, into which it shall deposit from time to time its local counterpart contribution to the cost of the Project;

(b) deposit into the Project Account an initial advance equivalent to \$60,000, and thereafter replenish the Project Account on a quarterly basis, or whenever the balance thereof equals not more than one third of the amount of the initial deposit, whichever occurs first; and

(c) ensure that funds deposited into the Project Account shall be used only for the purposes of defraying the cost of expenditures incurred in the execution of the Project which are not financed out of the proceeds of the Credit.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained a financial management system, including records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Accounts, 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, (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 and reports of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including, as part of the information to be provided in each such report, a management letter concerning the Borrower's internal controls; 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.

(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 provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of its financial management system for the Project in order to enable the Borrower, not later than six (6) months after the Effective Date, or such later date as the Association shall agree, to prepare quarterly Financial Monitoring Reports, acceptable to the Association, each of which:

- (i) (A) 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 (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;
- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, 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 Financial Monitoring Report for such period.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) 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 Fund has been established, and the FMA duly recruited under terms, conditions and terms of reference acceptable to the Association, and in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(b) the Project Account has been duly opened, and the amount of the initial

advance deposited therein in accordance with Section 3.04 (b) of this Agreement;

(c) a financial management system, acceptable to the Association, has been established for the management of the Project, and the auditors referred to in Section 4.01 (b) of this Agreement have been duly appointed under terms, conditions and terms of reference acceptable to the Association, and in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(d) the Project Implementation Manual and Procedures Manual have been adopted in form and substance acceptable to the Association;

(e) the Conseil and UGP have been duly established, and the national project director, operational manager, financial management specialist, procurement officer, monitoring specialist and evaluation officer referred to in paragraph 4 (b) of Schedule 4 to this Agreement, duly recruited under terms, conditions and terms of reference acceptable to the Association, and in accordance with the provisions of Section II of Schedule 3 to this Agreement; and

(f) an annual work program and budget covering the first Fiscal Year in the implementation period of the Project has been submitted in form and substance acceptable to the Association.

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

Section 6.03. The obligations of the Borrower under Articles III and IV of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date fifteen years after the date of this Agreement, whichever shall be the earlier.

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 and Economy
B.P. 61
Antananarivo 101
Madagascar

Cable address:

MINFINECO
Antananarivo

Facsimile:

(261) 20 22 34530

For the Association:

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

Cable address:

INDEVAS

Telex:

248423 (MCI) or

Facsimile:

(202)

477-6391

Washington, D.C.

64145 (MCI)

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 MADAGASCAR

By /s/ Zina Andrianarivelo Razafy

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Theodore Ahlers

Acting Regional Vice President
Africa Region

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:

Category	Amount of the Credit Allocated (Expressed SDR Equivalent)	% of Expenditures to be Financed
(1) Goods	2,000,000	100% of foreign expenditures and 80% of local expenditures
(2) Consultants' services, and audits	3,300,000	100% of foreign expenditures and 80% of local expenditures
(3) Training	400,000	100% of foreign expenditures and 80% of local expenditures
(4) Operating costs	230,000	85%
(5) Grants	7,700,000	100% of amounts of Grants disbursed

(6)	Refunding of Project Preparation Advance	470,000	Amount due pursuant to Section 2.02 (b) of this Agreement
(7)	Unallocated	1,600,000	
	TOTAL	15,700,000	

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 "operating costs" means the incremental operating costs arising under the Project on account of local contractual support staff salaries, employment benefits, travel expenditures and other travel-related allowances; equipment rental and maintenance; vehicle operation, maintenance and repair; office rental and maintenance, materials and supplies; utilities and communications' expenses; and bank charges.

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

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

(b) in respect of a Grant, unless the Grant has been provided in accordance with the procedures, and on the terms and conditions set forth or referred to in this Agreement and the Procedures Manual; and

(c) in respect of payments under category (3) of the table in paragraph 1 above involving overseas training or study tours, unless the prior approval of the Association has been sought and obtained.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) goods under contracts less than \$100,000 equivalent; (b) consulting and auditing services under contracts less than \$50,000 equivalent; (c) Grants; (d) operating costs; and (e) training other than overseas training or study tours, under such terms and conditions as the Association shall specify by notice to the Borrower.

B. Special Accounts

1. The Borrower shall open and maintain one special deposit account (hereinafter referred to as Special Account A in respect of Categories (1) through (4) of the table in Part A.1 of Schedule 1 to this Agreement for the purposes of Parts A, C and D of the Project, and another special deposit account (hereinafter referred to as Special Account B in respect of Category (5) of the said table for the purposes of Part B of the Project. Each special account shall be opened and maintained in dollars in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment.

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

(a) until the Association shall have received: (i) the first Financial Monitoring Report referred to in Section 4.02 (b) of this Agreement, and (ii) a request from the Borrower for withdrawal on the basis of Financial Monitoring Reports, withdrawals shall be made in accordance with the provisions of Annex A to this

Schedule 1; and

(b) upon receipt by the Association of a Financial Monitoring Report pursuant to Section 4.02 (b) of this Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Financial Monitoring Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of each Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of a 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 a Special Account:

(a) if the Association determines at any time that any Financial Monitoring 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: (i) the records and accounts for the Special Account, or (ii) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Financial Monitoring Reports.

5. The Association shall not be required to make further deposits into a 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 a 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 a 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 any Special Account.

(d) Refunds to the Association made pursuant to subparagraph (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 A to SCHEDULE 1

Operation of Special Accounts
When Withdrawals Are Not Made

On the Basis of Financial Monitoring Reports

1. For the purposes of this Annex, the term "Authorized Allocation" means an amount equivalent to \$600,000 in the case of Special Account A, and \$800,000 in the case of Special Account B, to be withdrawn from the Credit Account and deposited into the respective Special Account pursuant to paragraph 2 (a) of this Annex, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$300,000 in the case of Special Account A, and \$400,000 in the case of Special Account B, until: (a) in the case of Special Account A, the aggregate amount of withdrawals from the Credit Account allocated to Parts A, C and D of the Project, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Parts A, C and D of the Project, shall be equal to or exceed the equivalent of SDR 1,250,000; and (b) in the case of Special Account B, the aggregate amount of withdrawals from the Credit Account allocated to Part B of the Project, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Part B of the Project, shall be equal to or exceed the equivalent of SDR 1,250,000.

2. Withdrawals of a Special Account's Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Special Account's 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 in the aggregate do not exceed the Authorized Allocation. 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.

(b) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. 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 Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the 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. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Special Account's Eligible Categories.

3. The Association shall not be required to make further deposits into a Special Account, once the total unwithdrawn amount of the Credit minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the Special Account's Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit 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.

Annex B to SCHEDULE 1

Operation of Special Accounts When Withdrawals Are Made On the Basis of Financial Monitoring 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 Accounts in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into a Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Special Account's Eligible Categories.

2. Each application for withdrawal from the Credit Account for deposit into a

Special Account shall be supported by a Financial Monitoring 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 respective Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the Financial Monitoring 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 Financial Monitoring Report to be remaining in the Special Account, shall not exceed the equivalent of \$1,600,000, in the case of Special Account A, or \$2,000,000, in the case of Special Account B.

SCHEDULE 2

Description of the Project

The objective of the Project is to support the Borrower's efforts to promote a multisectoral response to the HIV/AIDS crisis and contain the spread of HIV/AIDS on its territory.

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: Financial Assistance for Development of Sector Strategies and Action Plans

Development of Sector strategies and preparation of action plans in each of the Sectors, and identification of pilot Subprojects in each Sector to be used as cornerstones of the Sector strategy and to guide development of sectoral best practices.

Part B: STI/HIV/AIDS Prevention Activities

1. Establishment of a fund, and provision of grants thereunder, to support STI/HIV/AIDS prevention activities undertaken or to be undertaken by the private sector, civil society and not-for-profit organizations, including IEC activities designed to create awareness of, and promote demand for, condoms and STI-kits, establishment and strengthening of private sector institutions engaged in STI/HIV/AIDS prevention activities, provision of training and support to develop and strengthen the capacity of such institutions, and testing, counseling and non-medical care taking activities.

2. Provision of technical advisory services and material support to facilitate development of social marketing strategies and distribution of condoms and STI-kits.

Part C: Monitoring and Evaluation

1. Design and implementation of a computerized management information system to record and monitor key technical and financial inputs, measure the outputs of the Project and assess progress, and evaluate the performance of key implementing agencies.

2. Carrying out of baseline and endline surveys to measure behavioral change and knowledge, and special purpose studies on specific target groups, to strengthen monitoring and evaluation of the impact of the Project.

3. Organization of sector-specific focus group discussions on the results of baseline evaluation surveys to provide inputs into the contents of IEC materials and approaches to be adopted in each Sector, and provision of support in the supervision of sector-specific pilot and operations research studies to identify interventions to be scaled up through sectoral plans.

Part D: Project Management and Capacity Building

1. Provision of technical advisory services and material support to facilitate the day-to-day management of the Project.
2. Provision of technical advisory services and material support to strengthen the capacity of agencies involved in the implementation of the Project.

* * *

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

1. Goods and works shall be procured in accordance with: (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines); and (b) the provisions of the following Parts of this Section I.
2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works 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 provision shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

Grouping of contracts

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

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines; provided, however, that: (a) all bids shall be in one envelope which shall be opened in public; (b) methods used in evaluation of bids and the award of contracts shall be made known to all bidders and not applied arbitrarily; (c) any bidder shall be given adequate response time (four weeks) for preparation and submission of bids; (d) bid evaluation and bidder qualification criteria shall clearly be specified in bidding documents and not applied arbitrarily; (e) eligible firms shall not be precluded from participation; (f) no preference margin shall be granted to domestic suppliers; (g) the award shall be made to the lowest evaluated bidder in accordance with pre-determined and transparent methods; (h) bid evaluation reports shall clearly state the reasons for rejection of any non-responsive bid; and (i) prior to issuing the first call for bids, draft standard bidding documents shall have been prepared and

submitted to the Association, and found acceptable.

2. National Shopping

Goods estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$400,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Community Participation

Goods and works required under Subprojects shall be procured in accordance with procedures acceptable to the Association, and specified in the Procedures Manual.

4. Procurement of Small Works

Works estimated to cost less than \$1,000 equivalent per contract, up to an aggregate amount not to exceed \$250,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

5. Procurement from UN Agencies

Condoms and STI-kits may be procured through United Nations Fund for Population Activities (UNFPA), United Nations Children's Fund (UNICEF), World Health Organization (WHO) and Inter-Agency Procurement Services Office (IAPSO), in accordance with the provisions of paragraph 3.9 of the Guidelines.

6. Direct Contracting

Goods which are of a proprietary nature and costing \$1,000 equivalent or less in the aggregate, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

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 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

1. Consultants' services shall be procured in accordance with: (a) 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), and (b) the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

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 for services 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. Single Source Selection

Services for social marketing and distribution under Part B of the Project 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.

2. Selection Based on Consultants' Qualifications

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

3. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines 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 1.

2. Prior Review

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

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$50,000 or more, but less than the equivalent of \$100,000, 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.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, and the higher level staff of UGP, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

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. The Borrower shall establish and maintain:

(a) a Cellule de Coordination Nationale des Actions de Lutte Contre le VIH/SIDA (CCN) whose mandate, terms of reference and composition shall be acceptable to the Association, to oversee the development and implementation of the Program, define national priorities and guide the strategic orientation of all multisectoral STI/HIV/AIDS prevention efforts in the Borrower's territory; and

(b) a Bureau de Coordination National (BCN), whose mandate, terms of reference and composition shall be acceptable to the Association, to act as the secretariat of CCN and be responsible, subject to the general guidance and oversight functions of the Cellule, for coordination of all multisectoral STI/HIV/AIDS prevention efforts in the Borrower's territory, including collection, analysis and dissemination of data and information on ongoing STI/HIV/AIDS activities, and distillation and dissemination of good practices.

2. The Borrower shall: establish and maintain for each Sector a Comité Sectoriel (CS), whose mandate, terms of reference and composition shall be acceptable to the Association, and consisting of public and private sector representatives, to be responsible for the facilitation and development of the sector strategy and related action plan, monitoring and evaluation of pilot Subprojects for the Sector, and coordination of interventions undertaken in the Sector.

3. The Borrower shall establish and maintain:

(a) a Conseil du Projet Multisectoriel de Prévention du SIDA, whose mandate, terms of reference and composition shall be acceptable to the Association, to monitor the implementation of the Project, ensure its consistency with its development objectives and exercise general oversight functions, including review and approval of the annual work program and budget of UGP, approval of requests for Grants in excess of \$100,000, approval of annual technical and financial audits, review and approval of the Project Implementation Manual and Procedures Manual, as well as modifications thereto, evaluation of the performance of UGP and recruitment of the FMA; and

(b) an Unité de Gestion du Project (UGP), whose mandate, terms of reference and composition shall be acceptable to the Association, to be responsible, subject to the general guidance and oversight functions of the Conseil, for the day-to-day

management and implementation of the Project, including development of the annual work program and budget, establishment and maintenance of a financial management system, and oversight of the activities of FMA, preparation and production of annual progress reports and financial statements, management of procurement and disbursement, and monitoring and evaluation activities.

4. The Borrower shall take steps to ensure that:

(a) UGP shall be headed by a national project director, who shall be assisted by an operational manager, a financial management specialist, a procurement officer, a monitoring specialist and an evaluation officer, and other suitably qualified and experienced staff in adequate numbers; and

(b) the positions of national project director, operational manager, financial management specialist, procurement officer, monitoring specialist and evaluation officer, which are referred to in this paragraph, shall be kept filled at all times by persons having qualifications and experience acceptable to the Association.

5. (a) The Borrower shall prepare and transmit to the Association for comments, and thereafter adopt in form and substance acceptable to the Association:

(i) a Project Implementation Manual, giving details of all operational guidelines and procedures as shall have been agreed with the Association for the implementation, monitoring and supervision of the Project, including:

(A) administrative, accounting and financial procedures;

(B) procurement and disbursement arrangements; and

(C) performance indicators, monitoring and evaluation guidelines, and environmental assessment methodology; and

(ii) a Procedures Manual, giving details of all operational guidelines and procedures as shall have been agreed with the Association for the implementation, monitoring and supervision of Part B of the Project, including:

(A) guidelines and procedures for preparation, appraisal and environmental screening of Subproject proposals, and approval of Subprojects, and criteria for the selection of Beneficiaries;

(B) implementation, supervision, monitoring and evaluation arrangements, and performance indicators;

(C) accounting and financial procedures, and procurement and disbursement arrangements; and

(D) model forms of Grant Agreements.

(b) The Borrower shall carry out the Project in accordance with procedures set out in the Project Implementation Manual and Procedures Manual, and, except as the Association shall otherwise agree, shall not amend or waive any provision thereof, if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

6. For purposes of the Project, the Borrower shall conclude a contract, under terms, conditions and terms of reference acceptable to the Association, with a suitably qualified and experienced financial management consultant (hereinafter referred to as the Financial Management Agency or FMA) to be responsible for the

management of Part B of the Project, including financial management of the Fund.

7. The Borrower shall submit to the Association, for its review or approval, as the case may be:

(a) not later than September 30 of each year, beginning September 30, 2002, a proposed annual work program and budget for the forthcoming Fiscal Year;

(b) six-monthly and annual progress reports on the status of the Project, to be submitted not later than two months after the end of the relevant reporting period;

(c) reports as needed on the award of individual contracts under the Project;
and

(d) quarterly procurement reports giving details of:

(i) cost estimates and updated revised cost estimates, if any, for individual contracts and for the Project;

(ii) planned and revised timing, if any, of procurement actions, including advertising, bidding, contract award and completion time for individual contracts; and

(iii) status of compliance with aggregate limits on prescribed procurement procedures, and with the Project Implementation Manual and Procedures Manual.

8. (a) The Borrower shall, not later than December 31 of each year, undertake, in conjunction with the Association and other interested parties, an annual review of the Project or, in the case of the review to be undertaken not later than December 31, 2004, a midterm review, during which they shall exchange views generally on all matters relating to the progress of the Project and the Program, and the performance by the Borrower of its obligations under the Development Credit Agreement, including the progress achieved by the Borrower under the Project and the Program, having regard to the monitoring indicators agreed upon between the Borrower and the Association.

(b) Not later than one month prior to the review, the Borrower shall furnish to the Association, for its comments, a report, in such detail as the Association shall reasonably request, on the progress and status of the Project and the Program, and giving details, in particular, of the various matters to be discussed at such review.

(c) Following the review, the Borrower undertakes to act promptly and diligently in order to take any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project and the Program, or to implement such other measures as may have been agreed upon between the parties in furtherance of the objectives of the Project.

9. Further to Section 3.01 (c) of the Development Credit Agreement, the proceeds of the Credit allocated to Category (5) of the table in Part A.1 of Schedule 1 to the Development Credit Agreement shall be subject to the following additional terms and conditions:

(a) the amounts so allocated shall be used exclusively to provide Grants to finance Subprojects, in accordance with criteria, and terms and conditions, set forth in the Procedures Manual;

(b) no Grant shall be granted to finance a Subproject unless the Subproject contributes to STI/HIV/AIDS prevention efforts, and is fully consistent with the Program and the Project, and the sectoral policies and action plans developed thereunder;

(c) every Subproject proposal shall be classified according to environmental impact category, and subjected as necessary to environmental impact analysis, to

ensure that: (i) it is fully consistent with environmental appraisal criteria set out in the Procedures Manual; and (ii) where appropriate, mitigation measures designed to minimize adverse effects of the proposed Subproject are identified and incorporated in the Subproject design;

(d) Grants shall be provided for the benefit of eligible Beneficiaries, and according to a cost-sharing formula, which shall be acceptable to the Association and specified in the Procedures Manual; provided, however, that:

(i) the proceeds of a Grant shall not be used to finance taxes or duties levied on or in respect of eligible expenditures relating to a Subproject, or any part thereof;

(ii) except as the Association shall otherwise agree, the amount of each Grant shall be not more than \$250,000 equivalent; and

(iii) except as the Association shall otherwise agree, the Beneficiary's contribution to the cost of any Subproject, measured both in cash and/or in kind, shall be not less than 10 percent of the total cost of the Subproject;

(e) the first Subproject involving an investment cost in excess of \$25,000 equivalent to be financed out of the proceeds of the Credit in each Province shall be subject to the prior review and approval of the Association;

(f) goods, works and services required for the purposes of financing Subprojects shall be procured in accordance with procedures referred to in Schedule 3 to this Agreement, and set forth in the Procedures Manual; and

(g) for purposes of each Grant, an agreement (hereinafter referred to as Grant Agreement) shall be concluded with the Beneficiary in the form of the model provided in the Procedures Manual, setting forth the respective obligations of the parties thereunder, including details of disbursement schedules and procurement procedures, the amount of the Beneficiary's contribution to the cost of the Subproject, and the additional terms and conditions specified in Schedule 5 to this Agreement.

SCHEDULE 5

Additional Terms and Conditions of Grant Agreements

Each Grant Agreement shall include the following terms and conditions satisfactory to the Association:

1. The Beneficiary shall be required to carry out and operate the Subproject with due diligence and efficiency, and in accordance with sound technical, administrative and financial practices, and with due regard to appropriate environmental and public health considerations.

2. The Beneficiary shall have the obligation to ensure at all times that: (a) goods, works and consultants' services to be financed out of the proceeds of the Credit shall be procured in accordance with the provisions of Schedule 3 to this Agreement; (b) such goods, works and consultants' services shall be used exclusively for implementing the Subproject, and achieving the objectives of the Project; and (c) upon completion of the Subproject, such Subproject shall be operated and maintained in accordance with the operation and maintenance plan agreed upon with the Beneficiary.

3. The Borrower shall have the right to inspect, by itself or jointly with representatives of the Association, if the Association shall so request, the goods, works and services included in the Subproject, the operation thereof and any relevant records and documents, and obtain any report in connection therewith, of such scope and in such detail as the Association shall reasonably request.

4. The Beneficiary shall take out and maintain with responsible insurers, or make other satisfactory provision for, insurance against such risks and in such amounts as

shall be consistent with appropriate environmental and/or public health practices.

5. The Borrower shall have the right to obtain all such information as the Borrower and Association shall reasonably request relating to the administration, operations and financial condition of each Beneficiary, and the benefits derived from the Subproject.

6. The right of any Beneficiary to the use of the proceeds of the Credit, or any part thereof, shall be promptly suspended upon failure by such Beneficiary to perform any of its respective obligations under the Grant Agreement.

