

CONFORMED COPY

CREDIT NUMBER 3596 BEN

Development Credit Agreement

(Multisectoral HIV/AIDS Project)

between

REPUBLIC OF BENIN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 17, 2002

CREDIT NUMBER 3596 BEN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated January 17, 2002, between REPUBLIC OF BENIN (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Association has received from the Borrower the following policy document, namely, the Borrower's National HIV/AIDS Strategy paper dated December 2000, describing the Borrower's program of actions, objectives and policies designed to prevent and control the HIV/AIDS epidemic (the Program) and declaring the Borrower's commitment to the execution of the Program;

(C) the Executive Directors of the Association approved, on September 12, 2000, 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 (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) “Action Plan” means the set of activities of any PSO (as hereinafter defined), which is eligible for financing under Part B.1 of the Project;

(b) “Action Plan Agreement” means the agreement to be entered into among CNLS (as hereinafter defined), PMU (as hereinafter defined) and a PSO for the purpose of carrying out and financing an Action Plan;

(c) “Administrative, Accounting and Financial Manual” means the manual outlining the administrative, financial, accounting and reporting procedures for the implementation of the Project referred to in paragraph A.1 of Schedule 4 to this Agreement and adopted pursuant to Section 7.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Administrative, Accounting and Financial Manual;

(d) “AIDS” means the Acquired Immuno-Deficiency Syndrome;

(e) “AT” means Association des Tradithérapeuthes, the Association of Traditional Practitioners located in the territory of the Borrower, a non-profit association established and operating under the laws of the Borrower and referred to in Part B.2 of Schedule 2 to this Agreement;

(f) “CALs” means Comités d’Arrondissement de Lutte Contre le SIDA, the decentralized arrondissement level HIV/AIDS committees established and operating pursuant to the New CNLS Decree (as hereinafter defined);

(g) “CBO” means a community-based organization established and operating under the laws of the Borrower, which has met the eligibility criteria set out in the Project Implementation Manual (as hereinafter defined) and the requirements of Schedule 4 to this Agreement and, as a result, has received or is entitled to receive a Grant (as hereinafter defined) for the carrying out of a Subproject (as hereinafter defined);

(h) “CBO Grant Agreement” means the agreement to be entered into among the relevant CDLS (as hereinafter defined), the Financial Management Firm (as hereinafter defined)

(h) “CBO Grant Agreement” means the agreement to be entered into among the relevant CDLS (as hereinafter defined), the Financial Management Firm (as hereinafter defined) and a CBO for the purpose of making a Grant to such CBO for carrying out a Subproject;

(i) “CCLS” means Comités Communaux de Lutte Contre le SIDA, the decentralized district level HIV/AIDS committees established and operating pursuant to the New CNLS Decree;

(j) “CDLS” means the Comités Départementaux de Lutte Contre le SIDA, the decentralized departmental level HIV/AIDS committees established and operating pursuant to the New CNLS Decree;

(k) “CFA Francs” or “CFAF” means the currency of the Borrower;

(l) “CNLS” means Comité National de Lutte Contre le SIDA, the national HIV/AIDS committee established and operating pursuant to the CNLS Decree;

(m) “CNLS Decree” means the Borrower’s Decree No. 2001-231 dated July 12, 2001 portant création, composition, attributions, organisation et fonctionnement du Comité National de Lutte Contre le SIDA;

(n) “CSO” means a civil society organization established and operating under the laws of the Borrower, including NGOs and any other private sector entity engaged in HIV/AIDS activities, which has met the eligibility criteria set out in the Project Implementation Manual and the requirements of Schedule 4 to this Agreement and, as a result, has received or is entitled to receive a Grant for the carrying out of a Subproject;

(o) “CSO Grant Agreement” means the agreement to be entered into among a CDLS, the Financial Management Firm and a CSO, or among CNLS, PMU and a CSO, as the case may be, for the purpose of making a Grant to such CSO for carrying out a Subproject;

(p) “CVLS” means the Comités Villageois de Lutte Contre le SIDA, the decentralized village level HIV/AIDS committees established and operating pursuant to the New CNLS Decree;

(q) “CWMP” means the clinical waste management plan for the Project referred to in paragraph A.1 of Schedule 4 to this Agreement and adopted pursuant to Section 7.01 (i) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the CWMP;

(r) “Decentralized Committees of CNLS” means the CALS, CCLS, CDLS and CVLS;

(s) “Eligible Categories” means: (i) Categories (2), (3), (4) and (5) set forth in the table in Part A.1 of Schedule 1 to this Agreement in respect of Special Account A (as hereinafter defined); and (ii) Categories (1), (2), (3) and (5) set forth in the table in Part A.1 of Schedule 1 to this Agreement in respect of Special Account B (as hereinafter defined);

(t) “Eligible Expenditures” means, in respect of Special Account A, the expenditures for goods, works and services referred to in Section 2.02 of this Agreement and to be financed out of the proceeds of the Credit allocated from time to time to said Special Account A’s Eligible Categories; and in respect of Special Account B, the expenditures for goods, works

be financed out of the proceeds of the Credit allocated from time to time to said Special Account A's Eligible Categories; and in respect of Special Account B, the expenditures for goods, works and services referred to in Section 2.02 of this Agreement and to be financed out of the proceeds of the Credit allocated from time to time to said Special Account B's respective Eligible Categories;

(u) "Financial Management Firm" means the firm employed pursuant to Section 7.01 (g) of this Agreement, responsible for the accounting, financial reporting and disbursement for all the activities under Part A.2 of the Project, and for the activities under Part A.3 of the Project which meet the criteria set forth in paragraph C.1 of Schedule 4 to this Agreement;

(v) "Grant" means a grant made, or proposed to be made, by a CDLS through the Financial Management Firm to a CBO or a CSO to finance a Subproject, or by CNLS through PMU to a CSO to finance a Subproject, as the case may be;

(w) "HART" means the HIV Antiretroviral Therapy;

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

(y) "MOPH" means the Borrower's Ministry of Public Health;

(z) "Monitoring and Evaluation Manual" means the manual outlining the monitoring and evaluation arrangements for the Project, referred to in paragraph A.1 of Schedule 4 to this Agreement and adopted pursuant to Section 7.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Monitoring and Evaluation Manual;

(aa) "New CNLS Decree" means the Borrower's Decree modifying and replacing the CNLS Decree, referred to in Section 6.01 (b) of this Agreement and issued pursuant to Section 7.01 (a) of this Agreement;

(bb) "NGO" means a non-governmental organization, established and operating under the laws of the Borrower;

(cc) "PLWHA" means people living with HIV/AIDS;

(dd) "Project Account" means the account referred to in Section 3.04 (a) of this Agreement;

(ee) "Project Implementation Manual" means the manual setting out, inter alia, the criteria, procurement and disbursement procedures, the institutional aspects, and other arrangements for the implementation of the Project, including those applicable to the Subprojects and Action Plans, referred to in paragraph A.1 of Schedule 4 to this Agreement and adopted pursuant to Section 7.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Project Implementation Manual;

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

(gg) "Project Year" means the twelve-month period beginning from the Effective Date and ending twelve months thereafter (the First Project Year), and any twelve-month period beginning at the end of the First Project Year or at the end of any subsequent Project Year;

(hh) “PMU” means the Project Management Unit at CNLS referred to in paragraph A.3 of Schedule 4 to this Agreement and established pursuant to Section 7.01 (e) of this Agreement;

(ii) “PSO” means a Ministry of the Borrower, with the exception of MOPH, or a public sector organization of the Borrower, which has met the eligibility criteria set out in the Project Implementation Manual and the requirements of Schedule 4 to this Agreement and, as a result, whose Action Plan has been financed or is entitled to be financed with a part of the proceeds of the Credit;

(jj) “Second Generation Special Accounts” means the accounts referred to in Part B.1 (b) of Schedule 1 to this Agreement;

(kk) “Special Account A” means the Special Account opened for withdrawals in respect of expenditures made under Parts A.2 and A.3 of the Project, and referred to in Part B.1 (a) of Schedule 1 to this Agreement;

(ll) “Special Account B” means the Special Account opened for withdrawals in respect of expenditures made under Parts A.1, B and C of the Project, and referred to in Part B.1 of Schedule 1 to this Agreement;

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

(nn) “Subproject” means a specific activity or set of activities financed, or proposed to be financed, through a Grant made under Part A.2 or Part A.3 of the Project.

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 seventeen million eight hundred thousand Special Drawing Rights (SDR 17,800,000).

Section 2.02. 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 for the benefit of a CBO or a CSO under a Grant to meet the reasonable costs of goods, works and services required for a Subproject to be financed under Part A.2 or Part A.3, respectively, of the Project, and 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.

Section 2.03. The Closing Date shall be September 15, 2006 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later

Section 2.03. The Closing Date shall be September 15, 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 April 15 and October 15 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 April 15 and October 15 commencing April 15, 2012 and ending October 15, 2041. Each installment to and including the installment payable on October 15, 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 French Republic 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 CNLS with due diligence and efficiency and in conformity with appropriate administrative, financial 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 Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the 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 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 3.04. Without limitation to its obligations under Section 3.01 of this Agreement, the Borrower shall for the purposes of the Project:

(a) open and thereafter maintain, for the duration of the Project, an account in CFA Francs in the name of CNLS (the Project Account) in the Treasury and on terms and conditions satisfactory to the Association;

(b) deposit into the Project Account an initial contribution of CFA Francs 53,000,000;

(c) thereafter deposit into the Project Account, by January 31 and October 31 in each year, until the completion of the Project, such amounts as shall be required to timely replenish the Project Account back to the amount of the initial deposit referred to in paragraph (b) above, or whenever the balance of the Project Account shall be less than CFA Francs 25,000,000; and

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

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 Accounts and Second Generation Special Accounts for each

paragraph (a) of this Section and the records and accounts for the Special Accounts and Second Generation Special Accounts for each fiscal year audited, in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;

- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited; and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning 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 Project Management Reports or statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the 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 Project Management Reports or 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 referred to in paragraph (a) of said section 4.01 in order to enable the Borrower, not later than eighteen (18) months after the Effective Date or such later date as the Association shall agree, to prepare quarterly Project Management 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 Project Management Report for such period.

ARTICLE V

Other Covenants

Section 5.01. The Borrower shall implement the CWMP, in a manner and according to a timing satisfactory to the Association.

Section 5.02. By the end of the First Project Year, the Borrower shall adopt a master plan for the development of a comprehensive monitoring and information system to monitor the HIV/AIDS epidemic in its territory on an ongoing basis, in form and substance satisfactory to the Association.

Section 5.03. By the end of the First Project Year, the Borrower shall adopt a comprehensive baseline study to allow evaluation of key performance indicators related to HIV/AIDS issues, including epidemiological and behavioral aspects of the HIV/AIDS epidemic, in form and substance acceptable to the Association.

Section 5.04. (a) By November 15 of each year during the implementation of the Project, commencing on November 15, 2002, the Borrower shall submit to the Association for its review and comments its draft of: (i) the program of activities to be carried out under the Project during the following year; and (ii) the related budget and procurement schedule.

(b) The Borrower shall, in preparing the final version of such program, budget and procurement schedule, take into account the comments made by the Association.

(c) By December 31 of each year during the implementation of the Project, commencing on December 31, 2002, the Borrower shall adopt the program of activities to be carried out under the Project during the following calendar year, and the annual related budget and procurement plan, in form and substance satisfactory to the Association.

Section 5.05. The Borrower shall, by April 30, 2002, employ the independent auditors referred in Section 4.01 (b) of this Agreement in accordance with the provisions of Section II of Schedule 3 to this Agreement.

ARTICLE VI

Remedies of the Association

Section 6.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified:

(a) a situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out; and

(b) the New CNLS Decree, governing the operations of CNLS, and the Decentralized Committees of CNLS shall have been amended, suspended, abrogated, repealed or waived so as to materially and adversely affect the implementation of the Project.

Section 6.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely that any event specified in Section 6.01 of this Agreement shall occur and shall continue for a period of 30 days after notice thereof shall have been given by the Association to the Borrower.

ARTICLE VII

Effective Date; Termination

Section 7.01. 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 Borrower has issued the New CNLS Decree, in form and substance satisfactory to the Association, and the several units and committees to be established under the New CNLS Decree, including a technical secretariat at CNLS and the Decentralized Committees of CNLS, have been established each in a form and with functions, staffing and resources

satisfactory to the Association;

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

(c) the Borrower has adopted the Project Implementation Manual, the Administrative, Accounting and Financing Manual, and the Monitoring and Evaluation Manual, all in form and substance satisfactory to the Association;

(d) the Borrower has adopted a procurement plan for the implementation of the Project during the First Project Year;

(e) the Borrower has established the PMU in a manner and with functions and resources satisfactory to the Association, and with the following staff: a Project coordinator, a HIV/AIDS specialist, a financial management specialist, a monitoring and evaluation specialist and a procurement specialist, all appointed in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(f) the Borrower has established an accounting and financial management system for the Project satisfactory to the Association;

(g) the Borrower has employed the Financial Management Firm in accordance with the provisions of Section II of Schedule 3 to this Agreement; and

(h) the Borrower has adopted the CWMP, in form and substance satisfactory to the Association.

Section 7.02. 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 VIII

Representative of the Borrower; Addresses

Section 8.01. 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 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministère des Finances et de l'Economie
B.P. 302
Cotonou
Republic of Benin

Cable address:	Telex:
MINFINANCES Cotonou	5009 or 5289 MINFIN

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 Cotonou, Republic of Benin, as of the day and year first above written.

REPUBLIC OF BENIN

By /s/ Abdoulaye Bio Tchané
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Sidi Boubacar

Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

A. General

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

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works	60,000	85%
(2) Goods:		100% of foreign expenditures and 85% of local expenditures
(a) vehicles, motorcycles and equipment	1,550,000	
(b) drugs, tests and reagents	2,320,000	
(3) Consultants' services training and audits	2,320,000	85%
(4) Grants for Subprojects		100% of amounts disbursed
(a) under Part A.2 of the Project	6,190,000	
(b) under Part A.3 of the Project	1,550,000	
(5) Operating costs	1,550,000	80%
(6) Unallocated	2,260,000	
TOTAL	17,800,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any

(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; provided, however, that if the currency of the Borrower is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be “foreign expenditures”; and

(c) the term “operating costs” means the incremental operating costs incurred on account of Project implementation, management and supervision, including travel and other allowances, local contractual staff salaries, utilities, communication costs, office supplies, office equipment and vehicle maintenance and operation costs, but excluding salaries of the Borrower’s civil servants.

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

(a) a Grant, unless the Grant has been made in accordance with eligibility criteria and on terms and conditions set forth or referred to in the Project Implementation Manual and the provisions of Schedule 4 to this Agreement; 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 under contracts costing less than the equivalent of \$100,000 each; (ii) works under contracts costing less than the equivalent of \$20,000 each; (iii) consultant services under contracts costing less than: (A) \$50,000 equivalent each for consulting firms, and (B) \$25,000 equivalent each for individual consultants; and (iv) training and operating costs, all under such terms and conditions as the Association shall specify by notice to the Borrower.

B. Special Accounts and Second Generation Special Accounts

1. (a) The Borrower shall open and maintain in CFA Francs two separate special accounts in a commercial bank and on terms and conditions satisfactory to the Association: (i) Special Account A; and (ii) Special Account B; said terms and conditions shall include appropriate protection against set-off, seizure and attachment, of the two separate special deposit accounts in CFA Francs.

(b) The Borrower shall additionally open and maintain in CFA Francs, for the benefit of the Financial Management Firm in each of the six administrative areas (départements) of the Borrower’s territory where the Financial Management Firm shall have an office, one Second Generation Special Account of Special Account A, all in a commercial bank and on terms and conditions satisfactory to the Association, including appropriate protection against

terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and 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 said Special Account shall be made as follows:

(a) until the Association shall have received: (i) the first Project Management Report referred to in Section 4.02 (b) of this Agreement; and (ii) a request from the Borrower for withdrawal on the basis of Project Management 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 Project Management Report pursuant to Section 4.02 (b) of this Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Project Management 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 any Special Account:

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

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

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

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

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

7. (a) The Borrower shall withdraw from the Special Account A and deposit into each Second Generation Special Account funds to assist the Financial Management Firm to pay for goods, works and services under Parts A.2 and A.3 of the Project. Such withdrawals and deposits shall be in amounts sufficient to assist the Financial Management Firm in the manner contemplated in Schedule 1 to this Agreement, to pay for such goods, works and services in due course, provided that, at no time, shall the Borrower cause the amount held in any Second Generation Special Account to exceed CFA Francs 50,000,000.

(b) Any withdrawal from any Second Generation Special Account must be justified to the Borrower by the same documentation and other evidence regarding Eligible Expenditures required pursuant to Part B.3 of this Schedule.

(c) If the Association or the Borrower shall have determined at any time that any amount outstanding in any Second Generation Special Account will not be required to cover further payments for eligible expenditures, the Financial Management Firm shall, promptly upon notice from the Association or the Borrower, refund to the Special Account A such outstanding amount.

Annex A

to

SCHEDULE 1

**Operation of Special Account
When Withdrawals Are Not Made
On the Basis of Project Management Reports**

1. For the purposes of this Annex, the term “Authorized Allocation” means: (i) in respect of Special Account A, an amount of CFA Francs 800,000,000 to be withdrawn from the Credit Account and deposited into Special Account A pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, said Authorized Allocation shall be limited to an amount of CFA Francs 400,000,000 until the aggregate amount of withdrawals from the Credit Account of amounts allocated to Special Account A’s Eligible Categories, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of amounts allocated to said Categories, shall equal or exceed the equivalent of SDR 5,000,000; and (ii) in respect of Special Account B, an amount of CFA Francs 500,000,000 to be withdrawn from the Credit Account and deposited into Special Account B pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, said Authorized Allocation shall be limited to an amount of CFA Francs 400,000,000, until the aggregate amount of withdrawals from the Credit Account of amounts allocated to Special Account B’s Eligible Categories, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of amounts allocated to said Categories, shall equal or exceed the equivalent of SDR 5,000,000.

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

(a) For withdrawals of the said Special Account’s Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the said Special Account of an amount or amounts which in the aggregate do not exceed the said 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 said Special Account such amount as the Borrower shall have requested.

(b) For replenishment of said Special Account, the Borrower shall furnish to the Association requests for deposit into said 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 said 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 said Special Account for Eligible Expenditures. Each such deposit into said Special Account shall be withdrawn by the Association from the Credit Account under one or more of said 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 allocated to said Special Account’s 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 in respect of expenditures to be

Association pursuant to Section 5.02 of the General Conditions in respect of expenditures to be financed out of the proceeds of the Credit allocated to said Categories, shall equal the equivalent of twice the amount of said Special Account's Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to said 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 said 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 Account When Withdrawals Are Made On the Basis of Project Management Reports

1. Except as the Association may otherwise specify by notice to the Borrower, all withdrawals from the Credit Account shall be deposited by the Association into the respective Special Account 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 said 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 Project Management Report.
3. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the 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 Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in said Special Account, shall not exceed: (i) CFA Francs 800,000,000 in respect of Special Account A; and (ii) CFA Francs 500,000,000 in respect of Special Account B.

SCHEDULE 2

Description of the Project

The objectives of the Project are to contribute in curbing the spread of the HIV/AIDS epidemic and in mitigating its impact on PLWHA or people affected by HIV/AIDS through: (i) accelerating, intensifying, diversifying and empowering the response of civil society and the public sector to the HIV/AIDS epidemic; and (ii) building capacity in both civil society and the public sector to achieve and sustain the scaled-up response 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: Supporting Civil Society Response

1. Strengthening the institutional and technical capacities of CBOs and CSOs to prepare, execute and monitor Subprojects, carrying out HIV/AIDS awareness raising campaigns, and training of trainers at the national level participating in HIV/AIDS prevention and control activities, all through the provision of technical advisory services.
2. Provision of Grants to CBOs for the financing of Subprojects for HIV/AIDS related activities, including, in particular: (i) media and cultural event communication activities to promote and valorize behavioral change; (ii) incentive activities to ensure follow-up on such behavioral change; and (iii) activities to support PLWHA and their affected families.
3. Provision of Grants to CSOs for the financing of Subprojects for HIV/AIDS related activities, including, in particular: (i) creation of centers of care for PLWHA; (ii) facilitation of community based support for HIV/AIDS orphans and affected families; (iii) promotion of collaboration with the national and decentralized associations of traditional practitioners; (iv) support for HIV/AIDS transmissions on community radio networks; (v) programs of anonymous voluntary testing and counseling for HIV/AIDS in high risk/high prevalence zones; and (vi) programs facilitating “peer group” counseling among, inter alia, youth groups and commercial sex workers.

Part B: Supporting Public Sector Response

1. Assisting the PSOs to implement Action Plans consisting of HIV/AIDS prevention and control activities and initiatives, focusing, in particular, on: (i) awareness raising, advocacy and counseling activities encouraging appropriate behavioral change, or socio-psychological support needed by the staff of the PSOs; and (ii) activities related to the specific mandate of the PSOs; all through the provision of technical advisory services and training, and the acquisition of goods.
2. Assisting MOPH to: (i) improve access to HIV testing and counseling; (ii) improve the prevention of HIV transmission; (iii) improve the scale and quality of provision of health care to PLWHA; (iv) initiate a systematic program of collaboration with AT; and (v) support HIV/AIDS prevention and control activities for its staff; all through (i) the acquisition of essential laboratory equipment and reagents and other consumables, including the laboratory infrastructure needed to develop HART; (ii) the acquisition of tests and drugs for the prevention of mother to child transmission of HIV/AIDS and the management of related opportunistic diseases; (iii) the provision of skills training for all decentralized levels of health professional staff and traditional practitioners, in particular for the implementation of the CWMP; and (iv) the provision of technical advisory services.

Part C: Support to Project Coordination, Management, Monitoring and Evaluation

1. Strengthening the capacity of CNLS and PMU to carry out and implement a

1. Strengthening the capacity of CNLS and PMU to carry out and implement a coordination, management, monitoring and evaluation framework for the Project through the provision of technical advisory services and training, and the acquisition of goods, equipment and vehicles.
2. Strengthening the capacity of CDLSs, CALSs, CCLSs and CVLSs to carry out the coordination, monitoring and evaluation of Subprojects, through the provision of training.
3. Carrying out the activities under the Monitoring and Evaluation Manual through the provision of technical advisory services.
4. Carrying out the accounting, financial reporting and disbursement functions related to the Subprojects to be implemented by CBOs and CSOs at a decentralized level, through the provision of technical advisory services and training, the renovation and equipment of office space, and the acquisition of vehicles.
5. Carrying out financial and technical audits of the Project and the Financial Management Firm, through the provision of technical advisory services.

* * *

The Project is expected to be completed by March 15, 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 the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the provisions of the following Parts of this Section I.

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

Grouping of contracts

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

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$640,000 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 \$20,000 equivalent or more per contract, up to an aggregate amount not to exceed \$40,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines

2. Community Participation

Goods and works required for Subprojects may be procured in accordance with procedures acceptable to the Association and described in the Project Implementation Manual.

3. Procurement of Small Works

Works estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$40,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement

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: (i) each contract for goods estimated to cost the equivalent of \$100,000 or more and to be procured under international competitive bidding procedures; (ii) the first three contracts for goods estimated to cost the equivalent of \$100,000 or less and to be procured through national competitive bidding procedures; (iii) each contract for works estimated to cost the equivalent of \$20,000 or more; and (iv) each of the first two contracts for works estimated to cost less than the equivalent of \$20,000 and to be procured on the basis of quotations under Part C, paragraph 3 of this Section, 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, estimated to cost less than \$20,000 equivalent per contract, may comprise entirely

consultants, estimated to cost less than \$20,000 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 financial and technical audits estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services estimated to cost less than \$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 information, education and communication training, and services which are estimated to cost less than \$10,000 per contract, 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 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

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$50,000 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 \$25,000 or more, but less than the equivalent of \$50,000, 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 \$25,000 or more, 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. However, the exception to prior review by the Association shall not apply to: (i) the terms of reference of such contracts, regardless of their estimated cost; and (ii) each of the first two contracts for the strengthening of the institutional and technical capacities of CBOs under Part A.1 of the Project, regardless of their estimated cost.

SCHEDULE 4

Implementation Program

A. Overall Project Implementation

1. Except as the Association shall otherwise agree, the Borrower shall: (i) apply the criteria, policies, procedures and arrangements set out in the Project Implementation Manual, the Administrative, Accounting and Financial Manual and the Monitoring and Evaluation Manual; and (ii) not amend or waive, or permit to be amended or waived, the CWMP, the Project Implementation Manual, the Administrative, Accounting and Financial Manual and the Monitoring and Evaluation Manual or any provision thereof, in a manner which, in the opinion of the Association, may materially and adversely affect the implementation of the Project.

2. (a) The Borrower shall maintain CNLS with an Assembly, a Board, a National Consultative Group, a Technical Secretariat and the Decentralized Committees of CNLS in a form and with functions, staffing and resources consistent with the New CNLS Decree and satisfactory to the Association.

(b) The Decentralized Committees of CNLS shall assist: (i) CNLS in the establishment of an appropriate framework for the execution of the Program; and (ii) CNLS and

(b) The Decentralized Committees of CNLS shall assist: (i) CNLS in the establishment of an appropriate framework for the execution of the Program; and (ii) CNLS and PMU in the implementation of the Project as specified in paragraphs B and C below and in more detail in the Project Implementation Manual.

(c) The Technical Secretariat, a multi-sector unit, shall assist CNLS in, inter alia, selecting the Action Plans to be implemented by PSOs, reviewing the execution of the Subprojects and Action Plans and preparing completion reports relating thereto, and keeping CNLS informed of the implementation of the activities under the Monitoring and Evaluation Manual.

3. (a) The Borrower shall maintain a PMU in a form and with functions, staffing and resources satisfactory to the Association. PMU's functions shall include: (i) financial management of the Project, on the basis of the Administrative, Accounting and Financial Manual, including disbursement for the Actions Plans which meet the criteria set forth in paragraph D.1 below; (ii) facilitation of Project execution within the framework of the Program; and (iii) supporting the Technical Secretariat of CNLS in the carrying out of its functions under the Project.

(b) The Borrower shall, through PMU, establish an independent ad hoc procurement evaluation commission in a form and with functions, staffing and resources satisfactory to the Association, to be responsible for the processing, in accordance with the Project Implementation Manual, of all Project bids requiring action at the national level, proposals and contracts for the Project, including the Action Plan Agreements.

B. Subprojects Estimated to Cost the Equivalent of \$3,000 or less to be Implemented by a CBO, and Related CBO Grant Agreements

1. Without limitation upon the provisions of paragraph A.1 above, no Subproject to be implemented by a CBO shall be eligible for financing out of the proceeds of the Credit unless the concerned CALS or CCLS, as the case may be, has determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the Project Implementation Manual, that the Subproject satisfies the eligibility criteria specified below and in more detail in the Project Implementation Manual, which shall include the following:

(a) the Subproject shall be for any of the types of activities referred to in Part A.2 of the Project;

(b) the Subproject shall be initiated by a CBO or a CSO for the account of a CBO;

(c) the Subproject shall be implemented by a CBO;

(d) the Subproject shall be in accordance with the standards specified in the Project Implementation Manual;

(e) the Subproject shall be in compliance with the standards set forth in the applicable laws and regulations of the Borrower relating to the Program; and

(f) no Grant shall be in excess of the equivalent of \$3,000.

2. Subprojects referred to in paragraph B.1 above shall be carried out pursuant to CBO Grant Agreements, to be concluded between the relevant CDLS, the Financial Management Firm and the relevant CBO, under terms and conditions satisfactory to the Association, which shall include the following:

(a) provisions requiring the financing to be made on a grant basis;

(b) the obligation for the relevant CBO to: (i) carry out the Subproject with due diligence and efficiency and in accordance with sound administrative, financial and public health standards and the provisions of the Project Implementation Manual; (ii) maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Subproject; and (iii) comply with the reporting obligations specified in the Project Implementation Manual;

(c) the requirement that: (i) the goods, works and services to be financed from the proceeds of the Credit shall be procured in accordance with the procedures set forth in Schedule 3 to this Agreement; and (ii) such goods, works and services shall be used exclusively in the carrying out of the Subproject;

(d) the right of CNLS, the relevant CDLS, PMU and the Financial Management Firm to inspect, by themselves, or jointly with the Association, if the Association shall so request, the goods, works, sites, plants and construction included in the Subproject, the operations thereof and any relevant records and documents;

(e) the right of CNLS, the relevant CDLS, PMU and the Financial Management Firm to obtain all information as CNLS, the relevant CDLS, PMU, the Financial Management Firm or the Association shall reasonably request regarding the administration, operations and financial conditions of the Subproject; and

(f) the right of the relevant CDLS to suspend or terminate the right of the relevant CBO to use the Grant for the Subproject upon failure by the relevant CBO to perform any of its obligations under its CBO Grant Agreement.

C. Subprojects Estimated to Cost the Equivalent of \$15,000 or Less and to be Implemented by a CSO, and Related CSO Grant Agreements

1. Without limitation upon the provisions of paragraph A.1 above, no Subproject to be implemented by a CSO and estimated to cost the equivalent of \$15,000 or less shall be eligible for financing out of the proceeds of the Credit unless the relevant CDLS has determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the Project

for financing out of the proceeds of the Credit unless the relevant CDLS has determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the Project Implementation Manual, that the Subproject satisfies the eligibility criteria specified below and in more detail in the Implementation Manual, which shall include the following:

- (a) the Subproject shall be for any of the types of activities referred to in Part A.3 of the Project;
- (b) the Subproject shall be initiated and implemented by a CSO;
- (c) the Subproject shall be in accordance with the standards specified in the Project Implementation Manual;
- (d) the Subproject shall be in compliance with the standards set forth in the applicable laws and regulations of the Borrower relating to the Program; and
- (e) the estimated cost of the Subproject is the equivalent of \$15,000 or less.

2. Subprojects referred in paragraph C.1 above shall be carried out pursuant to CSO Grant Agreements, to be concluded between the relevant CDLS, the Financial Management Firm and the relevant CSO, under terms and conditions satisfactory to the Association, which shall include the following:

- (a) provisions requiring the financing to be made on a grant basis;
- (b) the obligation for the relevant CSO to: (i) carry out the Subproject with due diligence and efficiency and in accordance with sound administrative, financial and public health standards and the provisions of the Project Implementation Manual; (ii) maintain adequate records to reflect in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Subproject; and (iii) comply with the reporting requirements specified in the Project Implementation Manual;
- (c) the requirement that: (i) the goods and services to be financed from the proceeds of the Credit shall be procured in accordance with the procedures set forth in Schedule 3 to this Agreement; and (ii) such goods and services shall be used exclusively in the carrying out of the Subproject;
- (d) the right of CNLS, the relevant CDLS, PMU and the Financial Management Firm to inspect, by themselves, or jointly with the Association, if the Association shall so request, the goods included in the Subproject, the operations thereof and any relevant records and documents;
- (e) the right of CNLS, the relevant CDLS, PMU and the Financial Management Firm to obtain all information as CNLS, the relevant CDLS, PMU, the Financial Management Firm or the Association shall reasonably request regarding the administration, operations and

financial conditions of the Subproject; and

(f) the right of the relevant CDLS to suspend or terminate the right of the relevant CSO to use the Grant for the Subproject upon failure by the relevant CSO to perform any of its obligations under its CSO Grant Agreement.

D. Subprojects Estimated to Cost the Equivalent of \$15,000 or More and to be Implemented by a CSO, and Related CSO Grant Agreements

1. Without limitation upon the provisions of paragraph A.1 above, no Subproject to be implemented by a CSO, and estimated to cost the equivalent of \$15,000 or more shall be eligible for financing out of the proceeds of the Credit unless CNLS has determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the Project Implementation Manual, that the Subproject satisfies the eligibility criteria specified below and in more detail in the Implementation Manual, which shall include the following:

(a) the Subproject shall be for any of the types of activities referred to in Part A.3 of the Project;

(b) the Subproject shall be initiated and implemented by a CSO;

(c) the Subproject shall be in accordance with the standards specified in the Project Implementation Manual;

(d) the Subproject shall be in compliance with the standards set forth in the applicable laws and regulations of the Borrower relating to the Program; and

(e) the estimated cost of the Subproject is superior to the equivalent \$15,000 but not more than the equivalent of \$35,000.

2. Subprojects referred in paragraph D.1 above shall be carried out pursuant to CSO Grant Agreements, to be concluded between CNLS, PMU and the relevant CSO, under terms and conditions satisfactory to the Association, which shall include the following:

(a) provisions requiring the financing to be made on a grant basis;

(b) the obligation for the relevant CSO, to: (i) carry out the Subproject with due diligence and efficiency and in accordance with sound administrative, financial and public health standards and the provisions of the Project Implementation Manual; (ii) maintain adequate records to reflect in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Subproject; and (iii) comply with the reporting requirements specified in the Project Implementation Manual;

(c) the requirement that: (i) the goods and services to be financed from the proceeds

(c) the requirement that: (i) the goods and services to be financed from the proceeds of the Credit shall be procured in accordance with the procedures set forth in Schedule 3 to this Agreement; and (ii) such goods and services shall be used exclusively in the carrying out of the Subproject;

(d) the right of CNLS and PMU to inspect, by themselves, or jointly with the Association, if the Association shall so request, the goods included in the Subproject, the operations thereof and any relevant records and documents;

(e) the right of CNLS and PMU to obtain all information as CNLS, PMU or the Association shall reasonably request regarding the administration, operations and financial conditions of the Subproject; and

(f) the right of CNLS to suspend or terminate the right of the relevant CSO, to use the Grant for the Subproject upon failure by the relevant CSO to perform any of its obligations under its CSO Grant Agreement.

E. Action Plans Estimated to Cost the Equivalent of \$15,000 or More and to be Implemented by a PSO, and Related Action Plan Agreements

Without limitation upon the provisions of paragraph A.1 above, no Action Plan to be implemented by a PSO, and estimated to cost the equivalent of \$15,000 or more shall be eligible for financing out of the proceeds of the Credit unless CNLS has determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the Project Implementation Manual, that the Action Plan satisfies the eligibility criteria specified below and in more detail in the Implementation Manual, which shall include the following:

(a) the Action Plan shall be for any of the types of activities referred to in Part B.1 of the Project;

(b) the Action Plan shall be initiated and implemented by a PSO;

(c) the Action Plan shall be in accordance with the standards specified in the Project Implementation Manual;

(d) the Action Plan shall be in compliance with the standards set forth in the applicable laws and regulations of the Borrower relating to the Program; and

(e) the estimated cost of the Action Plan is superior to the equivalent \$15,000 but not more than the equivalent of \$50,000.

2. Action Plans referred in paragraph E.1 above shall be carried out pursuant to Action Plan Agreements, to be concluded between CNLS, PMU and the relevant PSO, under terms and conditions satisfactory to the Association, which shall include the following:

(a) provisions requiring the financing to be made on a grant basis;

(b) the obligation for the relevant PSO, to: (i) carry out the Action Plan with due diligence and efficiency and in accordance with sound administrative, financial and public health standards and the provisions of the Project Implementation Manual; (ii) maintain adequate records to reflect in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Action Plan; and (iii) comply with the reporting requirements specified in the Project Implementation Manual;

(c) the requirement that: (i) the goods and services to be financed from the proceeds of the Credit shall be procured in accordance with the procedures set forth in Schedule 3 to this Agreement; and (ii) such goods and services shall be used exclusively in the carrying out of the Action Plan;

(d) the right of CNLS and PMU to inspect, by themselves, or jointly with the Association, if the Association shall so request, the goods included in the Action Plan, the operations thereof and any relevant records and documents;

(e) the right of CNLS and PMU to obtain all information as CNLS, PMU or the Association shall reasonably request regarding the administration, operations and financial conditions of the Action Plan; and

(f) the right of CNLS to suspend or terminate the right of the relevant PSO to use the proceeds of the Credit upon failure by the relevant PSO to perform any of its obligations under its Action Plan Agreement.

F. Reports and Mid-Term Review

1. The Borrower shall submit to the Association, for its review, quarterly progress reports on the status of the Project, including regular beneficiary assessment and beneficiary feedback reports and Subproject and Action Plan completion reports.

2. The Borrower shall:

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

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, not later than March 31 of each year during the implementation of the Project, commencing March 31, 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 calendar year preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the

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, not later than June 30 of each year during the implementation of the Project, commencing June 30, 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.

3. (a) On or about twenty four months after the Effective Date, the Borrower shall carry out jointly with the Association and CNLS a midterm review of the progress made in carrying out the Project (hereinafter referred to as the Midterm Review).

The Midterm Review shall cover, amongst other things:

- (i) progress made in meeting the Project's objectives;
- (ii) results of the monitoring and evaluation activities under the Project; and
- (iii) overall Project performance against Project performance indicators.

(b) CNLS shall, at least four weeks prior to the Midterm Review, furnish to the Borrower and the Association a separate report describing the status of implementation of each component of the Project and a summary report of Project implementation generally.

(c) CNLS shall, not later than four weeks after the Midterm Review, prepare an action program, acceptable to the Borrower and the Association, for the further implementation of the Project having regard to the findings of the Midterm Review and, thereafter, implement such action program.

