

The World BankINTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION1818 H Street N.W.
Washington, D.C. 20433
U.S.A.(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS**CONFORMED COPY**

April 8, 2011

Dr. MA Dhansay
Acting President
South African Medical Research Council
Operations Directorate
Francie van Zijl Drive
Parow Vallei
Western Cape
PO Box 19070
7505 Tygerberg
Republic of South Africa

**Re: Republic of South Africa: IDF Grant for Regional Capacity
Building and Knowledge Sharing in Strengthening Health
Systems Project
IDF Grant No. TF 097304**

Dear Mr. Dhansay:

I refer to the request for financial assistance made on behalf of the South African Medical Research Council (“SA-MRC” or “Recipient”), a legal entity established in 1969 through the South African Medical Research Council Act, 1969 (Act No. 19 of 1969) of the Republic of South Africa (“Member Country”) and initially operating under the Member Country’s South African Medical Research Council Amendment Act, 1982 (Act No. 47 of 1982), and presently functioning under the Member Country’s South African Medical Research Council Act, 1991 (Act No. 58 of 1991) (these legislation hereinafter collectively referred to as the “Enabling Legislation”), with the objective, through research, development and technology transfer, to promote the improvement of the health and the quality of life of the population of the Member Country and to perform such other functions as may be assigned to it by or under the said Act No. 58.

I am pleased to inform you that, on the basis of the foregoing, the International Bank for Reconstruction and Development (“World Bank”) proposes to extend to the Recipient a grant from the World Bank’s Institutional Development Fund (“IDF”) in an amount not to exceed five hundred forty-six thousand two hundred fifty United States Dollars (U.S. \$546,250) (“Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in the financing of the project described in the Annex (“Project”).

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date specified by the World Bank in accordance with the provisions of Section 5.02 of the Annex to this Agreement; provided, however, that the offer extended by this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within ninety (90) days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

/s/ Ruth Kagia
Country Director for South Africa
Africa Region

AGREED:

SOUTH AFRICAN MEDICAL RESEARCH COUNCIL

By /s/ Muhammad Ali Dhansay
Authorized Representative
Name _____
Title Acting President
Date: 14 April 2011

Enclosures:

- (1) "Standard Conditions for Grants Made by the World Bank Out of Various Funds" dated July 31, 2010
- (2) Disbursement Letter of even date herewith, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006

Article I

Standard Conditions; Definitions

1.01. **Standard Conditions.** The “Standard Conditions for Grants Made by the World Bank Out of Various Funds” dated July 31, 2010 (“Standard Conditions”), with the modifications set forth in Section I of the Appendix to this Agreement, constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement or in the Annex thereto, and the following additional terms have the following meaning:

- (a) “Letter of Agreement means the letter to be provided by each Participating Country (as hereinafter defined) providing, inter alia: (i) its no objection that the activities related to Project be carried out in the territory of the Participating Country and its commitment to carry out such activities with due diligence and efficiency; (ii) agreeing, on behalf of the Participating Country, that the Recipient shall receive the proceeds of the Grant from the World Bank for the implementation of the activities related to Project to be carried out in the territory of the Participating Country by the National Tuberculosis Reference Laboratory (as hereinafter defined); and (iii) undertaking such other obligations as may be necessary for the carrying out of the activities related to the Project in the territory of the Participating Country.
- (b) “National Tuberculosis Reference Laboratory” means the laboratory of the ministry responsible for health in the Participating Country responsible for referral services for tuberculosis.
- (c) “Participating Countries” mean collectively the Participating Countries, being the Republic of Botswana, the Republic of Lesotho, the Republic of Namibia, and the Kingdom of Swaziland; and “Participating Country” means individually each and any of the Participating Countries.
- (d) “Tuberculosis Epidemiology and Intervention Research Unit” means the dedicated unit responsible for tuberculosis diagnostic services existing within the SA-MRC.

Article II

Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to assist the SA-MRC to build regional capacity through the transfer of knowledge and expertise in setting up quality assured tuberculosis (“TB”) diagnostic services in the Participating Countries and thereby control the threat posed by the spread of drug resistant TB in the sub-region.

The Project consists of the following parts:

Part A: Capacity Development for Quality Assured Diagnostic Services

Strengthening of the regional capacity of the National Tuberculosis Reference Laboratories of the Participating Countries for the performance of quality assured laboratory diagnostic services using TB control as the main entry point, through the implementation, monitoring and evaluation of internal quality assurance procedures encompassing: (i) the provision of staff training for national reference laboratories to assist them to develop their capacities to provide quality assured TB diagnostic services and to work effectively in a network of laboratories; and (ii) the facilitation of transfer of experiences, knowledge, and best practices across the Participating Countries.

Part B: Improving Capacity for Operational Research

Strengthening of the regional capacity of the Participating Countries for operational research, particularly for the design and implementation of an operational research agenda related to TB diagnostic capacities, including: (i) identification of a regional research agenda in the Participating Countries to address key gaps in knowledge related to diagnosis and management of co-infected individuals; and (ii) identification of, provision of the required support to, and overseeing of the regional institutions which would develop and carry out the said research.

Part C: Capacity Building for Strategic Planning

Establishment of a regional forum among the Participating Countries to raise the profile of communicable diseases, using TB control as the main entry point, entailing: (i) carrying out of capacity building activities for the benefit of selected regional leaders to address cross-border public health issues; (ii) development of a strategic vision at the technical level on the main elements of a coordinated approach with an initial focus on multi-drug resistant TB; and (iii) the use of share knowledge and good practices in mounting joint activities.

2.02. ***Project Execution Generally.*** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the Tuberculosis Epidemiology and Intervention Research Unit and in accordance with the provisions of: (i) Article II of the Standard Conditions; (ii) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 (“Anti-Corruption Guidelines”), with the modifications set forth in Section II of the Appendix to this Agreement; and (iii) this Article II.

2.03. ***Institutional and Other Arrangements.***

(a) For the purpose of effective and efficient implementation of the Project, the Recipient shall maintain at all times during the implementation of the Project its Tuberculosis Epidemiology and Intervention Research Unit with staff in numbers and with functions and qualifications acceptable to the World Bank.

(b) The Recipient shall cooperate with the National Tuberculosis Reference Laboratory of each Participating Country so that the activities related to the Project are carried out in the territory of the Participating Country promptly and effectively and in accordance with the provisions of the relevant Letter of Agreement. The Recipient understands and hereby

expressly agrees that the implementation of the activities related to the Project in each Participating Country is subject to the World Bank receiving the Letter of Agreement from each Participating Country in which the activities are purported to be implemented. Therefore, Recipient shall refrain from commencing implementation of the activities related to the Project in the territory of each Participating Country until the World Bank dispatches to the Recipient notice of its acceptance of the Letter of Agreement for the respective Participating Country.

(f) For the purposes of the training to be carried out under the Project, the Recipient shall:

- (i) furnish to the World Bank for its approval, not later than January 31 of each year, a training program including an explanation of how such training is consistent and conducive to the objectives of the Project and whether it offers the best price/quality ratio, as well as the schedule for its implementation;
- (ii) select the trainees in accordance with a transparent process and criteria satisfactory to the World Bank; and
- (iii) furnish to the World Bank a report of such scope and detail as the World Bank shall reasonably request, on the results of each training and the benefits to be derived therefrom.

2.04. ***Project Monitoring, Reporting and Evaluation.*** (a) The Recipient shall monitor and evaluate the progress of the Project and, upon the World Bank's request, to prepare Project Reports, in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth below in paragraph (b) of this Section. Each Project Report shall cover such period as shall be indicated in the World Bank's request and shall be furnished to the World Bank not later than one (1) month after the date of such request.

(b) The performance indicators referred to above in paragraph (a) above consist of the following:

- (i) 10% reduction in false positive cases in comparison to baseline values by September 15, 2011;
- (ii) Two joint operational research projects initiated in any of the Participating Countries by September 15, 2012; and
- (iii) Regional strategy for addressing challenge of multi-drug resistant TB, absent in the Participating Countries by September 15, 2011.

(c) Upon the World Bank's request, the Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than five (5) months after the Closing Date.

2.05. ***Financial Management.*** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.06. *Procurement*

(a) General. All goods and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

- (i) Section I (excluding paragraph 1.16) of the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the World Bank in May 2004 and revised in October 2006 and May 2010 ("Procurement Guidelines"), in the case of goods; and
- (ii) Sections I (excluding paragraph 1.24) and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the World Bank in May 2004 and revised in October 2006 and May 2010 ("Consultant Guidelines") in the case of consultants' services.

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods. Goods shall be procured under contracts awarded on the basis of Shopping.

(d) Particular Methods of Procurement of Consultants' Services

- (i) Except as otherwise provided in item (ii) below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
- (ii) The following methods may be used for the procurement of consultants' services for those assignments which the World Bank agrees meet the requirements set forth in the Consultant Guidelines for their use: (A) Quality-based Selection; (B) Selection based on Consultants' Qualifications; (C) Selection Under a Fixed Budget; and (D) Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. Except as the World Bank shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the World Bank: (i) the first contract for goods and the first contract

for consultants' services awarded under each of the procurement methods set forth in paragraphs (c) and (d) above, regardless of the cost thereof; and (ii) thereafter, each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more and each contract for consultants' services provided by an individual estimated to cost the equivalent of \$50,000 or more. All other contracts shall be subject to Post Review by the World Bank.

**Article III
Withdrawal of the Grant Proceeds**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (i) Article III of the Standard Conditions; (ii) this Section; and (iii) such additional instructions as the World Bank may specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods	29,600	100%
(2) Consultants' Services	354,350	100%
(3) Training and Workshops	162,300	100%
TOTAL AMOUNT	546,250	

For purposes of this paragraph, the term "Training and Workshops" means the expenditures incurred to finance the reasonable cost of: (i) rental of training facilities and equipment; and (ii) tuition fees, travel, accommodation and per diem of trainers and trainees.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient, except that withdrawals up to an aggregate amount not to exceed \$100,000 equivalent may be made for payments made prior to this date but on or after June 17, 2010, for Eligible Expenditures under Category (2) in the table above.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is three years after the date of countersignature of this Agreement by the Recipient.

Article IV

Additional Remedies

4.01. **Additional Events of Suspension.** The Additional Events of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following:

(a) The World Bank has determined after the Effective Date of this Agreement that the Member Country has taken or permitted to be taken any action which would prevent or interfere with the performance by SA-MRC of its obligations under this Agreement.

(b) The Enabling Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Recipient to perform any of its obligations under this Agreement.

(c) As a result of events which have occurred after the date of this Agreement, an extraordinary situation has arisen which makes it improbable that one or more Participating Country will be able to perform any of its obligations under the respective Letter of Agreement.

Article VI

Recipient's Representative; Addresses

5.01. **Recipient's Representative.** The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Recipient's President.

5.02. **Recipient's Address.** The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Dr. MA Dhansay
Acting President
South African Medical Research Council
Operations Directorate, Francie van Zijl Drive
Parowallei, Cape; PO Box 19070
7505 Tygerberg, Republic of South Africa

Tel: +27 21 938-0911

Facsimile: +27 21 938-0200

5.03. **World Bank's Address.** The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:
248423 (MCI) or

Telex:
1-202-477-6391

Facsimile: INTBAFRAD

Washington, D.C. 64145 (MCI)

APPENDIX

Modifications to the Standard Conditions and the Anti-Corruption Guidelines

Section I. The Standard Conditions are modified as follows:

1. Paragraph 17 and 18 of the Appendix (**Definitions**) are modified to read as follows:

“17. “Member Country” means the member of the World Bank in whose territory the Project is carried out or any of such member’s political or administrative subdivisions. If the Grant is extended by the World Bank to such member as a party to the Grant Agreement, the term “Member Country” and “Recipient” refer to the same entity. If the Project is carried out in the territory of more than one member of the World Bank, “Member Country” refers separately to each such member.

18. “Project” means the Project for which the Grant is made. If the Project is carried out in the territory of more than one Member Country, “Project” refers separately to the Project of each such Member.”

Section II. The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“...(b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

“... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project

financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”