

CONFORMED

GRANT NUMBER H080 DRC

Development Grant Agreement

(Multi-Sectoral HIV/AIDS Project)

between

DEMOCRATIC REPUBLIC OF CONGO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 16, 2004

CONFORMED

GRANT NUMBER H080 DRC

DEVELOPMENT GRANT AGREEMENT

AGREEMENT, dated April 16, 2004, between the DEMOCRATIC REPUBLIC OF CONGO (the Recipient) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received from the Recipient its national strategic plan against HIV/AIDS (National HIV/AIDS Strategic Plan, dated July 14, 1999, describing a program of objectives, policies and actions designed to control and prevent the further spread of the HIV/AIDS epidemic (the Program), and declaring the Recipient's commitment to the execution of the Program;

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

(C) the Executive Directors of the Association approved, on December 20, 2001, the Second Multi-Country HIV/AIDS Program for the Africa Region with an estimated cost in the amount of US\$500,000,000 over a period of three years;

(D) the Project is part of the Second Multi-Sectoral Program for the Africa Region and the development grant set forth in Section 2.01 of this Agreement (the Grant) is financed under the said program; and

WHEREAS the Association has agreed, on the basis *inter alia* of the foregoing, to extend the Grant to the Recipient 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 in Schedule 5 to this Agreement (the General Conditions), constitute an integral part of this Agreement.

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

- (a) “AIDS” means the Acquired Immune Deficiency Syndrome;
- (b) “Ad Hoc Procurement Commission” means the Recipient’s procurement commission referred to in paragraph 6.01 (b) of this Agreement;
- (c) “Apex Organization” means a federation of organizations established and operating under the laws of the Recipient;
- (d) “Beneficiary” means any Apex Organization, CBO (as hereinafter defined), MDA (as hereinafter defined), NGO (as hereinafter defined), faith based organization, professional association, public or private sector entity to which or for whose benefit a Work Plan (as hereinafter defined), or Subproject (as hereinafter defined) or Micro-project (as hereinafter defined) which have met the eligibility criteria defined in Project Manuals (as hereinafter defined) and Schedule 4 to this Agreement is financed or proposed to be financed by the proceeds of the Grant;
- (e) “CBO” means a community based organization established and operating pursuant to the laws of the Recipient;
- (f) “Facilitating Agent” means any United Nations, agency or public or private entity which has entered into a Facilitating Services Contract (as hereinafter defined) with NCU (as hereinafter defined), PCU (as hereinafter defined) or LCU (as hereinafter defined), as the case may be, as provided in part E of Schedule 4 to this Agreement;
- (g) “Facilitating Services Contract” means the agreement to be entered into between NCU, PCU or LCU, as the case may be, and a Facilitating Agent, in accordance with paragraph E of Schedule 4 to this Agreement;
- (h) “FEDECAM” means *Fédération des Centrales d’Approvisionnement en Médicaments Essentiels*, established and operating pursuant to the Laws of the Recipient;
- (i) “Financial Monitoring Report” means each report prepared in accordance with Section 4.02 of this Agreement;
- (j) “FMA” means the Fiduciary Management Agency in charge of establishing, staffing and operating a fiduciary management department within the NCU (as hereinafter defined), PCUs (as hereinafter defined) and LCUs (as hereinafter defined),

as well as carrying out procurement and financial management activities for selected Beneficiaries, whose Work Plan (as hereinafter defined) has been approved;

(k) “HIV” means the human immuno-deficiency virus;

(l) “LCS” mean Local Steering Committees to be established at the sub-provincial level pursuant to the Project Implementation Décret (as hereinafter defined);

(m) “LCU” means each of the Local Coordination Units (*Bureau Local de Coordination*) to be established at the Province or Territory level pursuant to the Project Manuals (as hereinafter defined) and in compliance with the Project Implementation Décret (as hereinafter defined);

(n) “MDAs” means the line ministries, other than the MoH (as hereinafter defined), of the Recipient;

(o) “MWMP” means the medical waste management plan dated December 23, 2003, approved by the Association, setting out the measures and arrangements necessary for the proper management of hazardous waste for Parts A through C of the Project, including modalities for screening and procedures for the preparation and implementation of Subprojects (as hereinafter defined) and Micro-projects (as hereinafter defined);

(p) “Micro-project Agreement” means an agreement to be entered into between NCU (as hereinafter defined), PCU (as hereinafter defined) or LCU, as the case may be, and a Beneficiary for the provision of a Micro-grant (as hereinafter defined) in accordance with part D of Schedule 4 to this Agreement;

(q) “Micro-project” means specific activities financed or to be financed by a Micro-grant (as hereinafter defined) provided from the proceeds of the Grant under Parts A through C of the Project;

(r) “Micro-grant” means a grant made, or to be made, out of the proceeds of the Grant, to finance a Micro-project;

(s) “MoH” means the Recipient’s Ministry of Health, and any departments and agencies thereof;

(t) “NCU” means the National Coordination Unit (*Coordination Nationale*) established and operating pursuant to the Project Implementation Décret (as hereinafter defined);

(u) “NGO” means a non-governmental organization established and operating pursuant to the following laws of the Recipient;

(v) “PCU” means each of the Provincial Coordination Units (*Bureau Provincial de Coordination*) to be established at the Province level pursuant to the Project Manuals (as hereinafter defined) and in compliance with the Project Implementation *Décret* (as hereinafter defined);

(w) “Performance Based Agreement” means the agreement to be entered into between NCU, PCU or LCU, as the case may be, and the MoH or a MDA whose Work Plan (as hereinafter defined) has been approved by NCU, PCU or LCU, as the case may be, in accordance with part C of Schedule 4 to this Agreement;

(x) “Performance Based Contract” means the agreement to be entered into between NCU, PCU or LCU, as the case may be, and a Beneficiary other than the MoH or a MDA whose Work Plan (as hereinafter defined) has been approved by NCU, PCU or LCU, as the case may be, in accordance with paragraph C of Schedule 4 to this Agreement;

(y) “PLWHA” means Persons Living with HIV/AIDS;

(z) “Project Fiduciary and Administrative Manual” means the manual outlining the administrative, financial accounting, disbursement and procurement arrangements for the implementation of the Project, referred to in paragraph A.2 of Schedule 4 to this Agreement and adopted pursuant to Section 6.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Project Fiduciary and Administrative Manual;

(aa) “Project Implementation *Décret*” means the presidential decree *portant sur la creation et l'organisation du programme national multisectoriel de lutte contre le SIDA* referred to in Section 6.01 (d) of this Agreement;

(bb) “Project Implementation Manual” means the manual outlining, *inter alia*, the institutional and operational arrangements for the implementation of the Project, including, *inter alia*, the MWMP, the monitoring and evaluation arrangements of the Project, and the operational arrangements for the preparation and implementation of Work Plans, Subprojects and Micro-projects, referred to in paragraph A.2 of Schedule 4 to this Agreement and adopted pursuant to Section 6.01 (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;

(cc) “Project Manuals” means, together, the Project Implementation Manual and the Project Fiduciary and Administrative Manual;

(dd) “Project Preparation Advance” means the project preparation advance granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on September 9, 2003, and on behalf of the Recipient on September 11, 2003;

(ee) “Province” means an administrative area established pursuant to *Décret-Loi No. 081 du 2 juillet 1998 portant Organisation Territoriale et Administrative de la République Démocratique du Congo tel que modifié et complété par le Décret-Loi No. 018/2001 du 28 septembre 2001*, representing a designated area and population within the territory of the Recipient ;

(ff) “Second Generation Accounts” means the accounts referred to in paragraph B.8 of Schedule 1 to this Agreement;

(gg) “Special Account A” means the special deposit account opened for withdrawals in respect of expenditures made for Project activities implemented at the national level, and referred to in paragraph B.1 of Schedule 1 to this Agreement;

(hh) “Special Account B” means the special deposit account opened for withdrawals in respect of expenditures made for Project activities implemented at the provincial and sub-provincial level, and referred to in paragraph B.1 of Schedule 1 to this Agreement, and that may be used to replenish Second Generation Accounts;

(ii) “Special Account C” means the special deposit account opened for withdrawals in respect of expenditures made for Project activities implemented at the provincial or sub-provincial level, in Provinces where there are no banking facilities and referred to in paragraph B.1 of Schedule 1 to this Agreement;

(jj) “Special Accounts” means Special Account A, B and C;

(kk) “SC” means the Steering Committee for the Project (*Conseil National Multisectoriel de Lutte contre le SIDA*) established and operating pursuant to the Project Implementation *Décret*;

(ll) “Subgrant” means a sub grant made, or to be made, out of the proceeds of the Grant, to finance a Subproject (as hereafter defined);

(mm) “Sub grant Agreement” means an agreement to be entered into between NCU or PCU, as the case may be, and a Beneficiary for the provision of a Sub grant in accordance with part D of Schedule 4 to this Agreement;

(nn) “Subproject” means specific activities financed or to be financed by a Sub grant provided from the proceeds of the Grant under Parts A through C of the Project;

(oo) “Work Plan” means a work plan outlining measures for the prevention, care and mitigation of HIV/AIDS the preparation and the implementation of which is financed or to be financed from the proceeds of the Grant;

ARTICLE II

The Grant

Section 2.01. The Association agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to sixty-eight million and four hundred thousand Special Drawing Rights (SDR 68,400,000).

Section 2.02. (a) The amount of the Grant may be withdrawn from the Grant Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for carrying out the Project and to be financed out of the proceeds of the Grant; and (ii) amounts paid (or if the Association shall so agree, amounts to be paid) by the Recipient on account of withdrawals made for the benefit of a Beneficiary to meet the reasonable cost of goods, works and services required for the Work Plans, Subprojects and Micro-Projects to be financed, and in respect of which the withdrawal from the Grant Account is requested

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

Section 2.03. The Closing Date shall be January 31, 2011, or such later date as the Association shall establish. The Association shall promptly notify the Recipient of such later date.

Section 2.04. (a) The Recipient shall pay to the Association a commitment charge on the principal amount of the Grant 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 Recipient from the Grant 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 2.04 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 Recipient; and (iii) in United States Dollars, or in such other

eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of Section 4.02 of the General Conditions.

Section 2.05. Commitment charges shall be payable semiannually on March 15 and September 15 in each year.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient declares its commitment to the objective of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project through the NCU with due diligence and efficiency and in conformity with appropriate administrative, community development, environmental, financial and public health practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Recipient and the Association shall otherwise agree, the Recipient 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 Grant 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 Recipient shall:

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

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Recipient shall:

- (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period determined by the Association), commencing with the fiscal year in which the first withdrawal under the Grant was made, audited, in accordance with consistently applied auditing standards acceptable to the Association, 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 (or such other period determined by the Association), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period determined by the Association), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, 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 Grant Account were made on the basis of reports referred to in paragraph 6 of Schedule 1 to this Agreement (Report-based Disbursements) or on the basis of statements of expenditure, the Recipient shall:

- (i) retain, until at least two years after the Association has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such reports and statements of expenditure are included in the audit for each fiscal year (or other period agreed

to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient's progress reporting obligations set out in part F of Schedule 4 of this Agreement, the Recipient shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Grant and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

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

Section 4.03. The Recipient shall:

- (a) have a technical audit, the conditions of which are defined in more details in the Project Manuals, carried out to review procurement, statements of expenditures, and immobilizations as well as verifying the physical existence of goods, equipments and services acquired throughout the Project for each period running from July 1 of each fiscal year through June 30 of the following fiscal year (or other period determined by the Association) (the Technical Audit Period), by independent technical auditors acceptable to the Association;
- (b) furnish to the Association as soon as available, but in any case not later than four months after the end of the Technical Audit Period a report prepared by said technical auditors on said technical audit.

ARTICLE V

Remedies of the Association

Section 5.01. 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 Project Implementation *Décret* or any text governing the operations of NCU shall have been amended, suspended, abrogated, repealed or waived so as to materially and adversely affect the implementation of the Project.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely that any event specified in Section 5.01 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 Recipient.

ARTICLE VI

Effectiveness; Termination

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

(a) the Recipient has established NCU with the following staff: a coordinator, an operation and logistic specialist, a monitoring and evaluation specialist, all employed in accordance with the provisions of Section II of Schedule 3 to this Agreement, and the fiduciary staff to be provided by the FMA referred to in Section 6.01 (b) of this Agreement;

(b) the Recipient has employed the FMA, in accordance with the provisions of Section II of Schedule 3 to this Agreement and an operational fiduciary management, satisfactory to the Association, has been established including: (i) the recruitment, installation, and training of minimum financial and procurement staff within the NCU; (ii) the installation of a software for financial and procurement management and the training of staff within the NCU; (iii) the opening of Special Accounts; (iv) the independent auditors referred to in Section 4.01 (b) of this Agreement have been employed; and (v) the Ad Hoc Procurement Commission has been established and is operational;

(c) the Recipient has adopted the Project Manuals, all in form and substance satisfactory to the Association;

(d) the Project Implementation Decree, satisfactory to the Association, has been enacted;

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

ARTICLE VII

Representative of the Recipient; Addresses

Section 7.01. The Minister responsible for Finance is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 7.02 The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Ministry of Finance
Ministry of Economy, Finance and Budget
BP 12997
Kinshasa I
Democratic Republic of Congo

Facsimile:

243 880 23 81

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI)
64145 (MCI)

Facsimile:

(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 Kinshasa, Democratic Republic of Congo, as of the day and year first above written.

DEMOCRATIC REPUBLIC OF CONGO

By: /s/ André-Philippe Futa

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Emmanuel Mbi

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Grant

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

<u>Category</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works	2,400,000	100%
(2) Goods	12,300,000	100%
(3) Consultants' services (including audits) and Training	23,700,000	100%
(4) Subprojects and Micro-projects	23,100,000	100% of amounts disbursed
(5) Operating costs	4,700,000	100%
(6) Refunding of the Project Preparation Advance	800,000	
(7) Unallocated	1,400,000	
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TOTAL	68,400,000	
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2. For the purposes of this Schedule:

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

(b) the term “local expenditures” means expenditures in the currency of the Recipient or for goods, works or services supplied from the territory of the Recipient;

(c) the term “operating costs” means the incremental expenses incurred by NCU, PCU and LCU, and, as the case may be, the MoH or MDAs whose Work Plan has been approved, on account of Project implementation, management and monitoring, including office supplies, vehicles operation and maintenance, communication costs, rental expenses, utilities expenses, consumables, transport, travel and accommodation, *per diem*, supervision costs and salaries of locally contracted staff, but excluding salaries of officials of the Recipient’s civil service; and

(d) the term “Training” means the expenses incurred on *per diem*, travel, purchase of training materials and rental of facilities, and includes workshops and seminars.

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

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

(b) for a Subproject or a Micro-project unless the Subproject Grant or the Micro-project Grant has been made in accordance with the criteria and on terms and conditions set forth or referred to in Project Manuals and the provisions of part D of Schedule 4 to this Agreement.

4. It is understood that the percentages of expenditures to be financed under the table set forth in paragraph 1 of this Schedule have been calculated on the basis of the provisions of a letter issued by the Recipient’s Ministry of Finance, which provides for an exemption of taxes and customs duties levied in the territory of the Recipient on works, goods and services for this Project. If any change is made to said letter which has the effect of levying taxes or customs duties on such works, goods and services, the percentages referred to above shall be decreased in accordance with the provisions of Section 5.08 of the General Conditions.

5. The Association may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures for contracts for: (a) services of consulting firms not exceeding \$100,000 equivalent each; (b) services of individual consultants not exceeding \$50,000 equivalent each; (c) works and goods not exceeding \$250,000 equivalent each; (d) Facilitating Services Contracts entered into with Facilitating Agents not exceeding \$500,000 equivalent each; (e) training; (f) operating costs; and (g) Subprojects not exceeding \$100,000, under such terms and conditions as the Association shall specify by notice to the Recipient.

6. The Recipient may request withdrawals from the Grant Account to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the FMR and any other information as the Association shall specify by notice to the Recipient (Report-based Disbursements). In the case of the first such request submitted to the Association before any withdrawal has been made from the Grant Account, the Recipient shall submit to the Association only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

B. Special Accounts

1. The Recipient may, for the purposes of the Project, open and maintain in United States Dollars three special deposit accounts (Special Accounts A, B and C) in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set off, seizure or attachment. Deposits into, and payments out of the Special Accounts shall be made in accordance with the provisions of this Schedule 1 to this Agreement and with the Project Manuals, and shall be managed by the fiduciary department of NCU.

2. For the purposes of this Schedule:

(a) the term “Eligible Categories” means for Special Account A, categories 1, 2, 3 and 5, for Special Account B, categories 1, 2, 3, 4 and 5, and for Special Account C, category 4, as set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term “Eligible Expenditures” means expenditures in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Grant allocated from time to time to the Eligible Categories in accordance with the provisions of Schedule 1 to this Agreement

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

(a) if the Recipient is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) if the Recipient is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

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

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

(a) if the Association, at any time, is not satisfied that the reports referred to in paragraph A.6 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Recipient directly from the Grant Account; or

(c) if the Recipient shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Accounts; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

6. The Association shall not be required to make further deposits into the Special Accounts in accordance with the provisions of Part B.3 of this Schedule if, at any time, the Association shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the Grant 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 Recipient of its determination.

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

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

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

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

(d) Refunds to the Association made pursuant to subparagraph (a), (b) or (c) of this paragraph 7 shall be credited to the Grant Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Grant Agreement.

8. Upon completion of a financial management system review, to be found satisfactory by the Association, to evaluate the financial management system in place in each PCU, the Recipient may additionally open and maintain in Unites States Dollars, for the benefit of each PCU, one Second Generation Account of Special Account B, each in a commercial bank and on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and or attachment, and to be managed in accordance with the Project Manuals by the fiduciary department of NCU.

9. (a) The Recipient shall withdraw from Special Account B and deposit into each Second Generation Account funds to assist each PCU to pay for Subproject Grants or Micro-Projects Grants. Such withdrawals and deposits shall be in amounts sufficient to assist each PCU in the manner contemplated in Schedule 1 to this Agreement, to pay for such Subproject Grants or Micro-Projects Grants in due course, provided that, at no time, shall the Recipient cause the amount held in any Second Generation Account to exceed \$350,000.

(b) Any withdrawal from any Second Generation Account must be justified to the Recipient by the same documentation and other evidence regarding eligible expenditures required pursuant to paragraph B.4 of this Schedule.

(c) If the Association or the Recipient shall have determined at any time that any amount outstanding in any Second Generation Account will not be required to cover further payments for Eligible Expenditures, the relevant PCU shall, promptly upon notice from the Association or the Recipient, refund to Special Account B such outstanding amount.

**Annex A
to
SCHEDULE 1**

**Operation of Special Accounts
When Withdrawals Are Not
Report-based Disbursements**

1. For the purposes of this Annex, the term “Authorized Allocation” means the amount of \$6,000,000 to be withdrawn from the Grant Account and deposited into the Special Account A pursuant to paragraph B.3 of this Annex.

2. For the purposes of this Annex, the term “Authorized Allocation” means the amount of \$5,000,000 to be withdrawn from the Grant Account and deposited into the Special Account B pursuant to paragraph B.3 of this Annex.

3. For the purposes of this Annex, the term “Authorized Allocation” means the amount of \$1,000,000 to be withdrawn from the Grant Account and deposited into the Special Account C pursuant to paragraph B.3 of this Annex.

4. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Accounts shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Association a request or requests for deposit into the Special Accounts of an amount or amounts, which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Accounts such amount, as the Recipient shall have requested.

(b) For replenishment of the Special Accounts, the Recipient shall furnish to the Association requests for deposit into the Special Accounts at such intervals, as the Association shall specify. Prior to or at the time of each such request, the Recipient shall furnish to the Association the documents and other evidence required pursuant to paragraph B.4 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 Recipient, withdraw from the Grant Account and deposit into the Special Accounts such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to be paid out of the Special Accounts for Eligible Expenditures. Each such deposit into the Special Accounts shall be withdrawn by the Association from the Grant Account under one or more of the Eligible Categories.

5. The Association shall not be required to make further deposits into the Special Accounts, once the total unwithdrawn amount of the Grant minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Grant Account of the remaining unwithdrawn amount of the Grant shall follow such procedures as the Association shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Accounts as of the date of such notice will be utilized in making payments for Eligible Expenditures.

**Annex B
to
SCHEDULE 1**

**Operation of Special Accounts
When Withdrawals Are
Report-based Disbursements**

1. Withdrawals from the Grant Account shall be deposited by the Association into the Special Accounts in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Accounts shall be withdrawn by the Association from the Grant Account under one or more of the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the Grant, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Accounts an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the reports referred to in Part A.6 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.

SCHEDULE 2

Description of the Project

The objective of the Project is to mitigate the negative impact of the HIV/AIDS epidemic on the development of the Recipient through: (a) reducing the risk of sexual, intravenous and vertical transmission of HIV; (b) improving the health status and quality of life of PLWHA; and (c) mitigating the socio-economic impact of the epidemic on vulnerable population groups.

The Project consists of the following parts, subject to such modifications thereof as the Recipient and the Association may agree upon from time to time to achieve such objectives.

Part A: Response of the public sector

1. Supporting the MoH in the consolidation and expansion of HIV/AIDS related activities through the preparation and implementation of annual sectoral Work Plans, Subprojects and Micro-Projects in areas related to prevention, care, treatment and mitigation as defined in more details in the Project Manuals, and including but not limited to (a) safety of blood transfusions, prevention of mother-to-child transmission, treatment of STDs and opportunistic infections, voluntary testing and counseling (VTC), and condom promotion/distribution; (b) safe access to anti-retroviral (ARV) drugs; (c) development of norms and standards and policies formulation, including for legal protection of PLWHA or people affected by HIV/AIDS; (d) epidemiological surveillance and research; (e) capacity building; (f) information, education and communication campaigns; and (g) studies on the quantitative and qualitative impacts of the HIV/AIDS epidemic.

2. Supporting the preparation and implementation by MDAs and other public entities of annual sectoral Work Plans covering their personnel and client base, and, as the case may be, of Subprojects and Micro-Projects in areas related to prevention, care, treatment and mitigation as defined in more details in the Project Manuals, and including but not limited to: (a) safety of blood transfusions, prevention of mother-to-child transmission, treatment of STDs and opportunistic infections, voluntary testing and counseling (VTC), and condom promotion/distribution; (b) safe access to anti-retroviral (ARV) drugs; (c) development of norms and standards and policies formulation, including for legal protection of PLWHA or people affected by HIV/AIDS; (d) epidemiological surveillance and research; (e) capacity building; (f) information, education and communication campaigns; and (g) studies on the quantitative and qualitative impacts of the HIV/AIDS epidemic.

Part B: Response of the non-governmental sector

1. Supporting the mobilization of the private sector and public enterprises in the fight against HIV/AIDS, through prevention, care, treatment and mitigation activities as defined in more details in the Project Manuals, and including but not limited to: (a) information and communication campaigns; (b) preparation and implementation of Work Plans by Apex Organizations and large enterprises; (c) preparation and implementation of Subprojects and Micro-projects by small, medium and large enterprises; (d) studies of the epidemic's impact on enterprises and on growth; (e) development of a strategy for promoting and distributing condoms through commercial channels; and (f) research and development addressing supply chains for medical inputs and the development of national production thereof.

2. Supporting the mobilization of NGOs, religious groups, beneficiary associations and professional organizations in the fight against HIV/AIDS, through prevention, care, treatment and mitigation activities as defined in more details in the Project Manuals, and including but not limited to: (a) information and communication campaigns; (b) preparation and implementation of Work Plans by Apex; (c) preparation and implementation of Subprojects and Micro-projects by NGOs, religious groups, beneficiary associations and professional organizations; (d) structuring, strengthening and expanding associations of PLWHA; and (e) structuring, strengthening and expanding NGOs and associations involved in various AIDS-related activities.

Part C: Support to community initiatives

Supporting the mobilization of communities in the fight against HIV/AIDS through (a) preparation, implementation and management activities by CBOs of Subprojects and Micro-projects aimed at HIV/AIDS prevention, provision of care and support, and mitigation of health and socio-economic impacts, and (b) capacity building activities.

Part D: Coordination, Monitoring and Evaluation, Communication, Capacity Building

1. Strengthening the institutional and operational capacity of NCU, PCUs and LCUs through: (a) supporting operating costs and acquisition of vehicles, office space, goods and equipment; and (b) provision of training on procurement, disbursement, financial management and monitoring and evaluation.

2. Carrying out the activities under Project Manuals through the provision of technical advisory services to NCU, PCUs and LCUs.

3. Carrying out financial and technical audits of the Project, NCU, PCUs and LCUs through the provision of technical advisory services.

4. Carrying out activities related to the development and implementation of a communication strategy for HIV/AIDS control activities under the Project and on the Recipient's territory.

* * *

The Project is expected to be completed by August 31, 2010.

SCHEDULE 3

Procurement

Section I. Procurement of Good and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of this Section.

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:

(a) Grouping of Contracts

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

(b) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Recipient.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Works estimated to cost more than \$50,000 and less than \$500,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Goods estimated to cost more than \$50,000 equivalent per contract, but less than \$250,000 equivalent per contract, may be procured in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International and National Shopping:

(a) Goods estimated to cost less than \$50,000 equivalent per contract, and (b) ARVs reagents, laboratory equipment and other HIV/AIDS related drugs estimated to cost \$250,000 equivalent or less per contract may be procured under contracts awarded on the basis of international and national shopping procedures respectively in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting:

Reagents for HIV/AIDS and blood transfusion security of a proprietary nature or to be compatible with existing equipment may, with the Association's prior agreement, be procured from the original supplier, or from FEDECAM subject to the carrying out of a procurement capacity assessment satisfactory to the Association, in accordance with the provisions of paragraph 3.7 of the Guidelines.

4. Procurement from UN Agencies

During the start period of the Project, HIV/AIDS-related health commodities, such as drugs including ARV and reagents (hemoglobin, hepatitis, RTD) and medical supplies, tests equipment (Elisa), blood-taking/giving sets, milk substitutes, antiseptics, anti-TB drugs, and condoms can be procured from the United Nations Agencies (WHO, UNICEF, UNFPA, etc.) in accordance with the provisions of paragraph 3.9 of the Guidelines. Other goods such as computers and vehicles may also be procured from IAPSO.

5. Subprojects and Micro-projects

Goods and works required for Subprojects and Micro-projects under Parts A and B of the Project and for Micro-projects under Parts A through C of the Project may, subject to conditions defined in the Project Manuals, pursuant to paragraph 3.15 of the Guidelines, be procured in accordance with procedures acceptable to the Association as set forth in Project Manuals.

7. Procurement of Small Works

Works estimated to cost less than \$50,000 equivalent per contract may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from at least 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. However, the condition that quotations have been received from at least three qualified contractors shall not be mandatory for works estimated to cost less than \$10,000 equivalent per contract in

remote areas where the competition conditions may not allow such quotations to be presented, provided best efforts were made to obtain quotations.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

With respect to: (a) each contract for goods estimated to cost the equivalent of \$250,000 or more; (b) each contract for works estimated to cost the equivalent of \$500,000 or more; and (c) the first three contracts for goods and works awarded under National Competitive Bidding procedures, and the first three contracts for goods awarded under International and National Shopping procedures under Section I Part C, paragraph 2 (b) of this procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto and the following provisions of this Section.

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, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provision shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph: the short list of consultants, estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 and footnote 8 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services for research and interventions targeted to vulnerable groups estimated to cost less than \$100,000 equivalent per contract, and for training estimated to costs 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.

2. Single Source Selection

Services of consultants for activities such as the transfer of funds, monitoring and evaluation, support to the refugees and services provided by Facilitating Agents under Facilitating Services Contracts 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.

3. Individual Consultants

Services of individual consultants for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.4 of the Consultant Guidelines.

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

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Association for its review and approval prior to the issuance to consultants of any requests for proposals. Such plan shall be updated every six (6) months during the execution of the Project, and each such updating shall be furnished to the Association for its review and approval. Selection of all consultants' services shall be undertaken in accordance with such selection plan (as updated from time to time) as shall have been approved by the Association.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the report on the comparison of the qualifications and experience of candidates, 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. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

(c) With respect to each Facilitating Services Contracts entered with a Facilitating Agent estimated to cost the equivalent of \$500,000 or more, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(d) Training programs prepared under the Project shall be furnished to the Association for its prior review and approval.

3. Post Review

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

SCHEDULE 4

Implementation Program

Part A: Overall Project Implementation

1. Within no more than two months of the Effective Date, the Recipient shall take all measures necessary on its part to organize, in conjunction with the Association, a workshop for the launching of the Project which shall cover, *inter alia*, disbursement and procurement procedures and detailed timetables for the implementation of the Project.

2. Except as the Association shall otherwise agree, the Recipient shall: (a) apply the criteria, policies, procedures and arrangements set out in Project Manuals; and (b) not amend or waive, or permit to be amended or waived, Project Manuals, or any provision thereof, in a manner which, in the opinion of the Association, may materially and adversely affect the implementation of the Project.

3. SC, LSCs, NCU, PCUs, LCUs and MDAs

The Recipient shall ensure that, at all times during the execution of the Project:

- (a) SC meets every semester;
- (b) NCU prepares for SC, with sufficient advance before such meetings, a report regarding the implementation of the Project during the preceding semester;
- (c) SC, LSCs, NCU, PCUs and LCUs shall be established and operating in compliance with the provisions of the Project Implementation *Décret* and of the Project Manuals;
- (d) SC and LSCs shall ensure a general oversight of the Project and performance assessment; and NCU, in collaboration with PCUs and LCUs, and under guidance of SC shall be responsible for annual planning and programming, day to day coordination and implementation, monitoring and evaluation, and reporting of the Project; NCU shall carry out procurement activities in compliance with the Project Manuals;
- (e) SC, LSCs, NCU, PCUs and LCUs, shall be maintained with functions and composition (including qualifications and experience of personnel) satisfactory to the Association;
- (f) staff within MDAs in charge of the implementation of any parts of the Project have qualifications and experience satisfactory to the Association; and

- (g) the relevant MDAs shall collaborate with NCU, PCUs and LCUs in compliance with the provisions of Project Manuals in order to ensure proper implementation of the Project.

Part B: Safeguard Policies

The Recipient shall ensure that the Project is implemented in accordance with the provisions of the MWMP, and except as the Association shall otherwise agree, shall not amend or waive any provision of the said plan, if such amendment or waiver may, in the opinion of the Association materially or adversely affect the implementation of the Project.

Part C: Work Plans

1. The Work Plans prepared under Part A or Part B of the Project shall be submitted by each proposed Beneficiary to NCU, PCU or LCU, as the case may be, for appraisal and approval, in compliance with the Project Manuals.

2. The selected Work Plan must meet the eligibility criteria set forth in Project Manuals, including, *inter alia*: (a) the proposed activities and Beneficiary must be eligible; (b) the Work Plan implementation period must not exceed one year; and (c) the Beneficiary must have the legal capacity to contract under the laws of the Recipient.

3. Following receipt of the approved Work Plan, and prior to any financing of activities under the Work Plan, NCU, PCU or LCU, as the case may be, enter into, in the event the Beneficiary is the MoH or a MDA, a Performance Based Agreement, in other cases a Performance Based Contract with each Beneficiary under terms and conditions satisfactory to the Association and defined in the Project Manuals, which, *inter alia*, shall include the following:

- (a) the obligation of the Beneficiary to carry out activities under the Work Plan in accordance with Project Manuals with due diligence and efficiency and in accordance with sound technical, financial, environmental, public health and managerial standards, and to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Work Plan;
- (b) the requirement that the goods, works and services to be financed from the proceeds of the Grant shall be procured in compliance with Schedule 3 to this Agreement and used exclusively in carrying out activities agreed upon under the Work Plan;

- (c) the right of the Recipient to inspect by itself, or jointly with the Association, or if the Association shall so request, the goods, works, sites or plants financed under the Work Plan, the operations thereof and any relevant records and documents;
- (d) the right of the Recipient to obtain all information as the Association shall reasonably request regarding the administration, operation and financial management of activities under the Work Plan;
- (e) the right of the Recipient, as the case may be, to suspend or terminate the right of the Beneficiary to use or benefit from the proceeds of the Grant upon failure by the Beneficiary to perform any of its obligations under the Work Plan and, as the case may be, the Performance Based Agreement or the Performance Based Contract; and
- (f) the right to receive from the Beneficiary quarterly (or any other period agreed upon by the Association) progress reports reflecting, *inter alia*, the Work Plan's performance indicators, and a final report upon completion of the Work Plan.

Part D: Subproject and Micro-project Approval Procedures and Eligibility Criteria

1. The Subproject and Micro-project proposals shall be submitted by each proposed Beneficiary to NCU, or the respective PCU or LCU, as the case may be, for approval based on rules and criteria set forth in the Project Manuals.

2. The selected Subprojects or Micro-projects must meet the eligibility criteria set forth in Project Manuals, including but not limited to: (a) the proposed activities and Beneficiary must be eligible; (b) the Subproject or Micro-project implementation period must not exceed one year; and (c) the Beneficiary must have the capacity to contract under the laws of the Recipient.

3. Following receipt of the approved Subproject or Micro-project proposals, and prior to the disbursement of any Subgrants or Micro-grants to the Beneficiaries, NCU, PCU or LCU, as the case may be, shall enter into a Subgrant or Micro-grant Agreement with each Beneficiary under terms and conditions satisfactory to the Association, which, *inter alia*, shall include the following:

(a) the obligation of the Beneficiary to carry out the Subproject or Micro-project in accordance with Project Manuals with due diligence and efficiency and in accordance with sound technical, financial, environmental, public health and managerial standards, and to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Subprojects or Micro-projects;

(b) the requirement that the goods, works and services to be financed from the proceeds of the Subgrant or Micro-grant shall be used exclusively in carrying out the Subproject or Micro-project;

(c) the right of the Recipient to inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites or plants included in the Subproject or Micro-project, the operations thereof and any relevant records and documents;

(d) the right of the Recipient to obtain all information as the Association shall reasonably request regarding the administration, operation and financial management of the Subproject or Micro-project;

(e) the right of the Recipient, as the case may be, to suspend or terminate the right of the Beneficiary to use or benefit from the use of the proceeds of the Subgrant or Micro-grant upon failure by the Beneficiary to perform any of its obligations under the Subgrant Agreement or Micro-grant Agreement; and

(f) the right to receive from the Beneficiary quarterly (or any other period agreed upon by the Association) progress reports reflecting, *inter alia*, the Subproject or Micro-project performance indicators, and a final report upon completion of the Subproject or Micro-project.

E. Facilitating Agents

The Recipient shall cause NCU, PCU or LCU, as the case may be, jointly with the relevant Beneficiary:

(a) select Facilitating Agents that are acceptable to the Association in accordance with the procurement procedures set forth in Schedule 3 to this Agreement, and meet the respective criteria set forth in Project Manuals, including *inter alia* that they must have: (A) proven experience in comparable activities in the territory of the Recipient; and (B) experience in carrying out the procurement of goods, works and services;

(b) enter into a Facilitating Services Contract with each Facilitating Agent in a form and substance that is satisfactory to the Association describing *inter alia* the functions to be undertaken by such agents, setting forth dated objectives to be attained and performance indicators, and setting forth financial and procurement methods, in compliance with the Project Manuals; unless as otherwise agreed to by the Association; and

(c) ensure that each Facilitating Agent report to NCU, PCU or LCU, as the case may be, and the relevant Beneficiary on a quarterly basis (or any other

period agreed upon by the Association) on the financial and operational progress of the activities undertaken.

F. Reports and Midterm Review

1. The Recipient shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 6 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) carry out an annual review of the progress in implementation during the previous year, having regard to the monitoring indicators referred to in subparagraph (a) of this paragraph, no later than February 15 of each year of Project implementation; and

(c) following each review referred to in sub-paragraph (b) of this paragraph, act promptly and diligently to take any corrective action agreed with the Association to remedy any shortcomings identified in implementation, in furtherance of the objectives of the Project.

2. Midterm Review

(a) On or about thirty six months after the Effective Date, the Recipient shall carry out jointly with the Association, SC, LSCs, NCU, PCUs and LCUs, 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 objective; and

(ii) overall Project performance against Project performance indicators.

(b) The Recipient shall cause NCU to prepare and, at least six weeks prior to the Midterm Review, furnish to 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) The Recipient shall, not later than six weeks after the Midterm Review, prepare and submit to the Association an action program, acceptable to the Association, for the further implementation of the Project having regard to the findings of the Midterm Review and, thereafter, implement such action program.

SCHEDULE 5

Modifications to the General Conditions

For the purpose of this Agreement, the provisions of the General Conditions are modified as follows:

1. Sections 3.02, 3.03, 3.04 (a), 3.04 (b), 3.05, 6.05, Article VII, are deleted in their entirety.

2. Wherever used in the General Conditions, the following terms are modified to read as follows:

- (a) The term “Borrower” is modified to read “Recipient”.
- (b) The term “Credit” is modified to read “Grant”.
- (c) The term “credit” is modified to read “grant”; except that where used in Sections 6.02 (a) (ii) and 6.02 (c) (i), as modified below, the term “credit” shall continue to read “credit”.
- (d) The term “Credit Account” is modified to read “Grant Account”.
- (e) The term “Development Credit Agreement” is modified to read “Development Grant Agreement”.

3. Article IV is modified as follows:

(a) Section 4.02 (a) and the heading of Section 4.02 are modified to read as follows:

“Section 4.02 Currencies in which Commitment Charges are Payable

(a) The Recipient shall pay the commitment charge on the Grant in the currency specified in the Development Grant Agreement or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to paragraph (c) or (e) of this Section.”

(b) Wherever used in Section 4.02 (c) and (e) of the General Conditions the words “principal and service charges” are modified to read “commitment charge”.

(c) Section 4.03 and its heading are modified to read as follows:

“Section 4.03. Amount of the Grant

The amount of the Grant withdrawn from time to time shall be the equivalent in terms of SDR (determined as of the date or respective dates of withdrawal from the Grant Account) of the value of the currency or currencies so withdrawn.”

4. Section 6.02 is modified as follows:
 - (a) The phrase “any other development credit agreement” in Section 6.02 (a) (ii) is modified to read: “any other development grant agreement or any development credit agreement or development financing agreement.”
 - (b) The phrase “any development credit agreement” in Section 6.02 (c) (i) is modified to read: “any development grant agreement, development credit agreement or development financing agreement”.
5. The words “The principal of, and any other charges on” in paragraph (a) of Section 8.01 are modified to read “The commitment charge on”.
6. Section 12.05 and its heading are modified to read as follows:

“Section 12.05. *Termination of Development Grant Agreement.*

The obligations of the Recipient under the Development Grant Agreement shall terminate on the date 20 years after the date of the Development Grant Agreement.”

SCHEDULE 6

Performance Monitoring Indicators

1. Prevention related activities

By the end of the Project, 60 % of the sex workers targeted by the Project report using condoms during their last sexual encounter;

(b) By the end of the Project, at least 35% of pregnant women have access to Mother-to-Child transmission prevention program; and

(c) By the end of the Project, 70% of donated blood is tested for HIV and Hepatitis B&C.

2. Activities related to the quality of life of PLWHA

(a) By the end of the Project, 20,000 PLWHA receive quality medical treatment; and

(b) By the end of the Project, 50% of target health zones have community services for PLWHA available.

3. Activities related to the mitigation of impact of HIV/AIDS

(a) By the end of the Project, 20% of orphans are assisted with tuition and schooling; and

(b) By the end of the Project, discrimination against PLWHA (as defined in DHS+) is reduced by 30%.