

CONFORMED

GRANT NUMBER H 029 RW

Development Grant Agreement

(Multi-Sectoral HIV/AIDS Project)

between

REPUBLIC OF RWANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 13, 2003

CONFORMED

GRANT NUMBER H 029 RW

DEVELOPMENT GRANT AGREEMENT

AGREEMENT, dated May 13, 2003, between REPUBLIC OF RWANDA (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) 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;

(B) the Association has received from the Recipient its national plan against HIV/AIDS (the "2002-2006 Strategic Plan for HIV/AIDS"), dated May 2002, describing the Recipient's program of objectives, policies and actions designed to prevent and control the spread of the HIV/AIDS epidemic (the Program) and declaring the Recipient's commitment to the execution of the Program;

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

(D) the Project is part of the Second Multi-Sectoral HIV/AIDS Program for the Africa Region; 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 6 to this Agreement (the General Conditions), constitute an integral part of this Agreement.

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

- (a) “AIDS” means acquired immune deficiency syndrome;
- (b) “BCC” means Behavioral Change Communications;
- (c) “Beneficiary” means a community, group or person, including an NGO (as hereinafter defined), a religious organization or private enterprise who or which has met the eligibility criteria set out in the Project Operational Manual (as hereinafter defined) and the requirements of Schedule 4 to this Agreement and as a result, has received, or is entitled to receive, a Sub-Grant (as hereinafter defined) for the carrying out of a Sub-Project (as hereinafter defined);
- (d) “CAMERWA” means *Centrale d’Achat des Médicaments Essentiels*, a non-profit drug procurement agency established and operating under the Recipient’s laws;
- (e) “CDLS” means *Comités de District de Lutte contre le SIDA*, the district HIV/AIDS committees established by CNLS (as hereinafter defined) to coordinate HIV/AIDS activities at the district level and referred to in Part D.2 of Schedule 2 to this Agreement;
- (f) “Community Development Committee” or “CDC” means an elected local entity within the Recipient’s territory established and operating pursuant to the Recipient’s law No. 4/2001 dated January 13, 2001;
- (g) “CNLS” means *Commission Nationale de Lutte Contre le SIDA*, the Recipient’s national HIV/AIDS commission established within the Office of the President and operating pursuant to Presidential Arrêté No. 02/01 dated March 16, 2001;
- (h) “CNLS Executive Secretariat” means the administrative and technical body of the CLNS, referred to in paragraph 4 of Schedule 4 to this Agreement;
- (i) “CPLS” means *Comités Provinciaux de Lutte contre le SIDA*, the provincial HIV/AIDS Committees established in 12 provinces and referred to in Part D.2 of Schedule 2 to this Agreement;

- (j) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;
- (k) “HIV” means the human immuno-deficiency virus;
- (l) “IEC” means Information, Education and Communication;
- (m) “Initial Deposit” means the initial amount to be deposited in the Project Account (as hereinafter defined) pursuant to Section 6.01 (c) of this Agreement and referred to in Section 3.04 (b) of this Agreement;
- (n) “MOH” means the Recipient’s Ministry of Health;
- (o) “NGO” means a non-governmental organization established and operating under the laws of the Recipient;
- (p) “On-granting Organization” means an NGO with substantial capacities and a strong track record, which, under a Sub-Grant Agreement (as hereinafter defined), will provide grant funding to smaller NGOs and associations in accordance with paragraph 7 of Schedule 4 to this Agreement, to strengthen or scale up their activities relating to the implementation of the Project;
- (q) “PLWHA” means people living with HIV/AIDS;
- (r) “Project Account” means the account referred to in Section 3.04 (a) of this Agreement;
- (s) “Project Operational Manual” means the manual referred to in paragraph 2 of Schedule 4 to this Agreement, as the same may be amended from time to time in agreement with the Association, and such term includes any schedules to the Project Operational Manual;
- (t) “Project Management Unit” or “PMU” means the Program Management Unit within the CLNS Executive Secretariat referred to in paragraph 5 of Schedule 4 to this Agreement;
- (u) “Project Year” means the first period of twelve (12) months following the Effective Date of the Project (First Project Year) and each subsequent period of twelve months thereafter until the completion of the Project;
- (v) “Public Sector Agencies” or “PSAs” means the Recipient’s Ministries or other public sector institutions;
- (w) “Rwandan Franc” or “FRW” means the Recipient’s currency;

(x) “Special Account A” means the special deposit account opened for withdrawals in respect of expenditures made under Part C of the Project and referred to in Section 2.02 (b) of this Agreement;

(y) “Special Account B” means the special deposit account opened for withdrawals in respect of expenditures made under Parts A, B, and D of the Project and referred to in Section 2.02 (b) of this Agreement;

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

(aa) “Sub-Grant” means a sub-grant made, or to be made, out of the proceeds of the Grant to finance a Sub-Project (as hereinafter defined);

(bb) “Sub-Grant Agreement” means an agreement to be entered into between the Recipient and a Beneficiary for the provision of a Sub-Grant in accordance with paragraphs 8 and 9 of Schedule 4 to this Agreement;

(cc) “Sub-Project” means any activity under Part C of the Project, in respect of which a Sub-Grant has been, or may be, provided;

(dd) “Waste Management Plan” means the waste management plan, adopted by the Recipient on November 22, 2002, setting out the measures and arrangements to be taken to ensure proper management of hazardous waste under the Project;

(ee) “Work Plan” means the annual work plan of any of the PSAs which has been approved by CNLS Executive Secretariat in accordance with the eligibility criteria set out in the Implementation Manual and the provisions of paragraph 12 of Schedule 4 to this Agreement, and which is eligible for financing, under the Project; and

(ff) “Work Plan MOU” means the memorandum of understanding to be entered into between CNLS Executive Secretariat and one of the PSAs for the purpose of carrying out a Work Plan.

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 twenty-two million two hundred thousand Special Drawing Rights (SDR 22,200,000).

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 the Project and to be financed out of the proceeds of the Grant; or (ii) amounts paid (or, if the Association shall so agree, amounts to be paid) by the Recipient on account of withdrawals made in accordance with a Sub-Grant Agreement for the benefit of a Beneficiary to meet the reasonable cost of goods, works and services required for Sub-Projects to be financed under Part C of the Project or a Work Plan to meet the reasonable cost of goods, works and services required for a Subproject to be financed under Part B.2 of the Project, or a Work Plan to be financed under Part A of the Project, and in respect of which the withdrawal from the Grant Account is requested.

(b) The Recipient may, for the purposes of the Project, open and maintain in Dollars two special deposit accounts (Special Account A and Special Account B) in its central bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of each respective Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be October 30, 2008 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 Beneficiary 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 2.05 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 the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. (a) Commitment charges shall be payable semiannually on June 15 and December 15 in each year.

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through CNLS with due diligence and efficiency and in conformity with appropriate administrative, financial and public health practices, and shall provide, 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 (c) 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 (6) 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 future achievement of the objectives of the Project; and

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

Section 3.04. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall:

(a) open an account in FRW in its central bank (the Project Account), and thereafter maintain the Project Account under terms and conditions acceptable to the Association until the completion of the Project;

(b) deposit into the Project Account: (i) an initial amount of FRW 38,452,500 (the Initial Deposit); and (ii) thereafter, at annual intervals, replenish the Project Account by the amounts required to finance the Recipient's contribution for expenditures under the Project as shall be agreed upon between the Recipient and the Association; and

(c) ensure that the funds deposited into the Project Account in accordance with paragraph (b) of this Section shall be used exclusively to finance expenditures under the Project.

ARTICLE IV

Financial Covenants

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

(b) The Recipient shall:

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

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the Recipient's progress reporting obligations set out in Section 4.01. 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 FMR 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 FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional 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; and

(b) the CNLS Arrêté shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of CNLS to implement the Project.

ARTICLE VI

Effective Date; Termination

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

(a) the Recipient has established a Project Management Unit in a form and with functions, resources and staffing satisfactory to the Association and appointed thereto the following staff with qualifications and experience satisfactory to the Association: a project manager, a procurement specialist, a financial specialist, and three project officers;

(b) the Recipient has adopted a procurement plan for the First Project Year, and a Project implementation plan, both satisfactory to the Association; and

(c) the Recipient has opened the Project Account pursuant to Section 3.04 (a) of this Agreement and has deposited therein the Initial Deposit referred to in Section 3.04 (b) of this Agreement; and

(d) the Recipient has appointed the independent auditors referred to in Section 4.01 (b) of this Agreement, all in accordance with the provisions of Section II of Schedule 3 to this Agreement.

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 of Finance and Economic Planning of the Recipient 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
and Economic Planning
P.O. Box 158
Kigali
Republic of Rwanda

Cable address:
Facsimile:

Telex:

MINFIN-RWANDA

22687
MINFIN-RWA

(250) 577 581

For the Association:

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

Cable address:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI) or
64145 (MCI)

(202) 477 6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF RWANDA

By /s/ Zac Nsenga

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Emmanuel Mbi

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Grant

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	500,000	90%
(2) Goods		100% *
(a) Drugs and HIV/AIDS Prevention Commodities	5,950,000	
(b) Equipment and Vehicles	380,000	
(3) Consultants' Services, including audits	700,000	100% of foreign expenditures and 85 % of local expenditures
(4) Training	1,480,000	100%
(5) Work plans under Part A of the Project, including goods, supplies, training, workshops, and in incremental operating costs	3,360,000	90%
(6) Sub-Grants under Part C of	6,940,000	100% of amounts disbursed under Part C of the Project
(7) Operating Costs	2,090,000	90%
(8) Unallocated	800,000	

TOTAL 22,200,000

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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 or services supplied from the territory of the Recipient; and

(c) the term “operating costs” means incremental costs incurred under the Project on account of fuel and maintenance for vehicles, equipment operation and maintenance, utilities, office supplies, communication expenses, staff travel, subsistence and representation allowances, salaries for contractual and temporary staff, management fees, but excluding salaries of officials of the Recipient’s civil service.

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

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 450,000 may be made in respect of Categories (2) (Goods), (3) (Consultants’ Services), (4) (Training), and (7) (Operating Costs) on account of payments made for expenditures before that date but after January 1, 2003;

(b) payments for Sub-Grants unless such Sub-Grants have been made in accordance with the eligibility criteria, procedures and terms and conditions set forth or referred to in the Project Operational Manual and paragraphs 7, 8, and 9 of Schedule 4 to this Agreement; and

(c) payments for expenditures under Category (5) (Work plans) unless the Work plans have been approved in accordance with the eligibility criteria, procedures and terms and conditions set forth or referred to in the Project Operational Manual and paragraphs 12, 13, and 14 of Schedule 4 to this Agreement.

4. The Association may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) works costing less than \$50,000; (b) services for consulting firms costing less than \$100,000; (c) services for individual consultants costing less than \$50,000; (d) goods costing less

than \$50,000; (e) Sub-Grants for Sub-Projects under Part C of the Project; (f) training; and (g) operating costs, all under such terms and conditions as the Association shall specify by notice to the Recipient.

SCHEDULE 2

Description of the Project

The objectives of the Project are to support the Recipient's multi-sectoral efforts in: (a) preventing and reducing the spread of the HIV/AIDS epidemic in the Recipient's territory; and (b) increasing access to care and support for people infected or affected by the HIV/AIDS epidemic.

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: Support to the Public Sector

Capacity building within PSAs and implementation of HIV/AIDS annual work plans to assist the public sector, including:

1. Capacity building within PSAs including support in carrying out sector impact assessments, policy formulation and training of staff in the preparation, execution and monitoring of work plans.
2. Information, Education and Communication and Behavioral Change Communications campaigns including campaigns for promotion of condoms, distribution of information and gender issues related to HIV/AIDS.

Part B: Health Sector HIV/AIDS Care and Treatment

1. Implementation of work plans prepared by the Ministry of Health and carried through public-private sector partnerships to: (a) carry out diagnosis, care and treatment HIV/AIDS patients including sexually transmitted infections, opportunistic infections and tuberculosis; (b) support programs to assure the prevention of mother-to-child HIV transmission; (c) carry out HIV voluntary testing and counseling services; (d) improve HIV testing, counseling, diagnosis, and monitoring of patients by laboratories and blood banks; (e) carry out of minor rehabilitation/refurbishing of sites which will serve for the provision of antiretroviral therapy; (f) improve surveillance and operational research, all through the provision of technical advisory services, civil works, training and acquisition of computers, equipment, vehicles, medical equipment, reagents and drugs including antiretroviral drugs for treatment of patients; and (g) carry out activities under the Waste Management Plan.

2. Information, Education and Communication and Behavioral Change Communications campaigns including campaigns for promotion of condoms, distribution of information and gender issues related to HIV/AIDS.

Part C: Support to Civil Society

Implementation of community-based Sub-Projects, aimed at HIV/AIDS prevention, social and financial support for orphans and vulnerable children, counseling, training, and support to associations of PLWHA, through provision of Sub-Grants to Beneficiaries.

Part D: Program Management, Monitoring and Evaluation

1. Strengthening the capacity of CNLS to manage, coordinate, program, monitor and evaluate the Project, through the provision of training and technical advisory services.
2. Strengthening the capacity of CPLS and CDLS to coordinate local activities and facilitate social mobilization, through the provision of training and technical advisory services at the provincial and district levels.
3. Capacity building of local communities to develop and implement HIV/AIDS prevention at the local level, through the provision of training and technical advisory services.

* * *

The Project is expected to be completed by April 30, 2008.

SCHEDULE 3

Procurement

Section I. Procurement of Goods and Works

Part A: General

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

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

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

Grouping of contracts

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

Part C: Other Procurement Procedures

1. Limited International Bidding

Contracts for drugs and medical supplies estimated to less than \$300,000 equivalent per contract, up to an aggregate amount not to exceed \$750,000 equivalent, and goods, which the Association agrees can only be purchased from a limited number of suppliers, may be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

2. National Competitive Bidding

(a) Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$400,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Works estimated to cost less than \$500,000 equivalent per contract, up to an aggregate amount not to exceed \$620,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

3. International or National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured under contracts awarded on the basis of national or international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. Direct Contracting

Goods which must be purchased from the original supplier to be compatible with existing equipment or, are of a proprietary nature up to an aggregate amount not to exceed \$200,000, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

5. Procurement from UN Agencies

Contracts for goods estimated to cost less than \$150,000 equivalent may be procured from the United Nations Development Programme Inter-Agency Procurement Services Office, United Nations Children's Fund Procurement and Assembly Center, United Nations Population Fund or World Health Organization in accordance with the provisions of paragraph 3.9 of the Guidelines.

6. Community Participation

Goods and works required for the Sub-Projects under Part C of the Project shall be procured in accordance with procedures acceptable to the Association and described in the Project Operational Manual.

7. Procurement of Small Works

Works estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$150,000 equivalent, 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.

8. Advance Contracting and Retroactive Financing

Contracts may be procured under advance contracting or retroactive financing procedures in accordance with the provisions of paragraph 1.9 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

With respect to: (a) each contract for goods or works estimated to cost the equivalent of \$100,000; (b) the first three contracts for goods to be procured under national competitive bidding procedures; (c) each contract for goods to be procured under direct contracting procedures; and (d) each of the first ten (10) Sub-Grants under Part C of the Project, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of 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. Least-cost Selection

Services for financial and technical audits, estimated to cost less than \$75,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

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

3. Single Source Selection

Services: (i) for training; (ii) for consulting assignments provided by NGOs or other organizations to assist provinces, districts and community sub-projects estimated to cost less than \$10,000 equivalent per contract, in an aggregate amount not to exceed \$200,000; and (iii) provided by CAMERWA as procurement agent, may be procured, with the Association's prior agreement, in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines, provided that, in procuring anti-retroviral drugs, CAMERWA shall use the World Health Organization pre-qualified list of pharmaceutical firms.

4. 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. Selection of all consultants' services shall be

undertaken in accordance with such selection plan 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 to be selected on a sole source basis, or estimated to cost the equivalent of \$50,000 or more, the report on the comparison of the qualifications and experience of candidates, the qualifications, experience and the 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.

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

A. Overall Project Oversight and Implementation Arrangements

1. The Recipient shall maintain at all times during the implementation of the Project, the CNLS Executive Secretariat in a form and with functions satisfactory to the Association, and appoint thereto staff having experience and qualifications satisfactory to the Association.

2. The Recipient shall prepare and furnish to the Association a Project Operational Manual in form and substance satisfactory to the Association, setting out details of: (a) the Project implementation plan; (b) a financial management manual; (c) a Project procurement plan; (d) procedures for preparation, appraisal, implementation and supervision of work plans; (e) standard formats for Sub-Grant Agreements; and (f) such other administrative, financial, technical and organizational arrangements as shall be required for the Project.

3. Except as the Association shall otherwise agree, the Recipient shall: (i) apply the criteria, policies, procedures and arrangements set out in the Project Operational Manual and the Waste Management Plan; and (ii) not amend or waive, or permit to be amended or waived, the Project Operational Manual or the Waste Management Plan or any provision thereto, in a manner which, in the opinion of the Association, may materially and adversely affect the implementation of the Project.

4. The CNLS Executive Secretariat shall review and approve the annual work program from the PSAs and supervise and coordinate the overall implementation of the Project in accordance with the provisions of this Agreement and the Project Operational Manual.

5. The PMU shall supervise and coordinate the overall implementation of the Project in accordance with the provisions of this Agreement and the Project Operational Manual.

6. The PSAs shall develop and implement work plans and submit them to the CNLS Executive Secretariat for approval. To this end, a Project approval committee will be established by the CNLS Executive Secretariat to review and approve such plans. This committee will be headed by the CNLS Executive Secretary and will include as members the Project manager, the director of finance and director of Planning and Coordination of CNLS as well as representatives of MOH and the Ministry of Finance and Economic Planning, and other selected representatives of public sector agencies and civil society institutions.

B. Procedures, Eligibility Criteria and Terms and Conditions of Sub-Grants

7. The Recipient shall provide Sub-Grants to finance community-based Sub-Projects through on-granting arrangements (under the supervision of NGOs) or CDCs in accordance with procedures and criteria set forth in the Project Operational Manual which shall include, but not be limited to, the following criteria: (a) the work plan has been designed in a participatory approach; (b) the proposed Sub-Project fits into the overall work plan; and (c) the proposed Sub-Project activities are among the list of eligible activities as it appears in the Project Operational Manual.

8. Sub-Grants shall be provided:

(a) to On-granting Organizations benefiting from technical assistance from a national or international NGO solicited by the CNLS. The On-granting Organizations will be responsible for screening proposals and providing assistance to Beneficiaries; and

(b) to community Beneficiaries through Sub-Projects to community HIV/AIDS initiatives identified at the local level by CDCs, CPLS and CDLS.

9. Sub-Grant Agreements shall include the following terms and conditions:

(a) the obligation of the Beneficiary to carry out the Sub-Project in accordance with the Project Operational Manual, with due diligence and efficiency and in accordance with sound technical, financial, environmental 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 Sub-Projects;

(b) the requirement that: (A) the goods, works and services to be financed from the proceeds of the Sub-Grant shall be procured in accordance with procedures acceptable to the Association; and (B) such goods, works and services shall be used exclusively in carrying out the Sub-Project;

(c) the right of the CNLS Executive Secretariat to inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites, plants included in the Sub-Project, the operations thereof and any relevant records and documents;

(d) the right of the CNLS Executive Secretariat to obtain all information, as the CNLS Executive Secretariat or the Association shall reasonably request, regarding the administration, operation and financial management of the Sub-Project;

(e) the right of the CNLS Executive Secretariat, to suspend or terminate the right of the Beneficiary to use the proceeds of the Sub-Grant upon failure by the Beneficiary to perform any of its obligations under the Sub-Grant Agreement; and

(f) the rights and obligations of any agency which shall execute the Sub-Project on behalf of the Beneficiary.

C. Work Plans

10. The Recipient shall request all public and private institutions participating in the Project to prepare and furnish to the CNLS Executive Secretariat annual work plans in form and substance satisfactory to the Association.

11. The Recipient undertakes that, unless the Association shall otherwise agree, Work Plans shall be elaborated, approved, carried out and monitored in accordance with the procedures and other provisions set forth or referred to in the Project Operational Manual.

12. Eligibility Criteria for Work Plans

Work Plans shall be for activities related to HIV/AIDS activities in the PSAs in accordance with the eligibility criteria, procedures and guidelines set forth in the Project Operational Manual, which shall include, but not be limited to, activities in the following areas: IEC/BCC campaigns, policy development, research and surveillance and capacity building. HIV/AIDS activities in MOH shall be for activities related to treatment and care, including HIV voluntary testing and counseling services, and opportunistic infections and prevention of mother-to-child transmissions.

13. For purposes of implementation of the action plans referred to in the preceding paragraph, the CNLS Executive Secretariat may conclude a memorandum of understanding with each ministry, in form and substance satisfactory to the Association, which shall specify, *inter alia*: (i) the activities to be implemented at both the central and regional levels; and (ii) the modalities of transfers of funds by the CNLS Executive Secretariat to the relevant ministry for the financing of its action plan.

14. Terms and Conditions of Work Plan MOUs

A Work Plan MOU shall include the following:

(a) the obligation of CNLS and the Public Sector Agency: (i) to carry out the Work Plan MOU with due diligence and efficiency and in accordance with sound technical, financial, environmental and managerial standards; and (ii) to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures relating to the Work Plan;

(b) the requirement that the goods, works and services to be financed from the proceeds of the Work Plan shall: (i) be procured in accordance with procedures ensuring efficiency and economy and in accordance with the provisions of Schedule 3 to this Agreement; and (ii) be used exclusively in the carrying out of the Work Plan; and

- (c) the Recipient reserves the right to:
 - (i) inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites, plants and construction included in the Work Plan, the operations thereof and any relevant records and documents;
 - (ii) obtain all information as the Recipient or the Association shall reasonably request regarding the administration, operation and financial conditions of CNLS and the Public Sector Agency; and
 - (iii) suspend or terminate the right of CNLS or any of the Public Sector Agency to use the proceeds of the Grant upon failure by CNLS or the Public Sector Agency to perform any of their obligations under the Work Plan MOU.

D. Antiretroviral Therapy

15. Pilot antiretroviral therapy under Part B of the Project shall be initiated once the Recipient has adopted an action plan, satisfactory to the Association, which shall include the following components: (a) training of technical personnel necessary to carry out this therapy; (b) acquisition of equipment necessary to monitor patients' reaction to the therapy; and (c) the Recipient has designed and implemented a system to control access to antiretroviral therapy including equitable and fair guidelines and criteria for selection of beneficiary patients of this pilot therapy.

E. Monitoring and Evaluation

16. The Recipient shall:

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

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

(c) review with the Association, by December of each year, the report referred to in subparagraph (b) of this paragraph, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the

objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

17. Interim Evaluation

(a) The Recipient shall, on or about eighteen months after the Effectiveness of the Grant, cause an interim evaluation of the Project to be carried out by an independent group, under terms of reference satisfactory to the Association, and will form the basis of the review between the Association and the Recipient. Such evaluation shall assess, *inter alia*, the performance of the PMU and other key implementation agencies or entities, including PSAs and civil society organizations and the operation of Project processes, requirements, and other implementation arrangements.

18. Midterm Review

(a) The Recipient shall, on or about June 30, 2006, carry out jointly with the Association a midterm review. Such review shall assess the following: (i) the overall progress in the implementation of the Project; (ii) the results of the monitoring and evaluation activities; (iii) an evaluation of the Subprojects and the Work Plans; (iv) progress on procurement and disbursements; and (v) make adjustments to the Project and reallocate funds to improve performance, if needed.

(b) The Recipient shall, three months before such review, prepare and furnish to the Association reports, in scope and detail satisfactory to the Association, needed to undertake the review, including the preparation of a program of action, to deal with deficiencies in Project implementation identified prior to such review.

(c) Based on such review, the Recipient shall promptly prepare an action plan, satisfactory to the Association, for the further implementation of the Project, and shall thereafter implement such action plan.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:
 - (a) the term “Eligible Categories” means Category (6) set forth in the table in paragraph 1 of Schedule 1 to this Agreement in respect of Special Account A; and Categories (1), (2), (3), (4), (5), and (7) set forth in said table in respect of Special Account B.
 - (b) the term “Eligible Expenditures” means expenditures in respect of the reasonable cost of goods, works, and services required for the Project, as well as amounts paid or to be paid under Sub-Grants, 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; and
 - (c) the term “Authorized Allocation” means: (i) in respect of the Special Account A, an amount equivalent to \$650,000 to be withdrawn from the Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule; provided, however, that, unless the Association shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to \$325,000, until the aggregate amount of withdrawals from the Grant Account of amounts allocated to said Special Account’s Eligible Categories, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of amounts allocated to said Categories, shall equal or exceed the equivalent of SDR 750,000; and (ii) in respect of the Special Account B, an amount equivalent to \$1,350,000 to be withdrawn from the Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule; provided, however, that, unless the Association shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to \$675,000 until the aggregate amount of withdrawals from the Grant Account of amounts allocated to said Special Account’s Eligible Categories, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of amounts allocated to said Categories, shall equal or exceed the equivalent of SDR 1,500,000.
2. Payments out of the respective Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Association has received evidence satisfactory to it that the respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective Special Account 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 respective Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the respective Special Account such amount or amounts as the Recipient shall have requested.

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

(ii) 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 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the respective Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the respective Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Grant Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Recipient out of the respective Special Account, 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 3 of this Schedule, the Association shall not be required to make further deposits into any Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Recipient directly from the Grant Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the 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 the records and accounts for the Special Accounts;

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

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

Thereafter, withdrawal from the Grant Account of the remaining unwithdrawn amount of the Grant allocated to the eligible Categories 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 respective Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of any Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Recipient shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the respective Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into any Special Account 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 shall have determined at any time that any amount outstanding in any Special Account will not be required to cover further payments for eligible expenditures, 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 paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Grant Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 6

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:

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.”

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 Borrower under the Development Grant Agreement shall terminate on the date 20 years after the date of the Development Grant Agreement.”