

**CONFORMED COPY**

**CREDIT NUMBER 3776-PAK  
GRANT NUMBER H044-PAK**

# **Development Financing Agreement**

**(HIV/AIDS Prevention Project)**

**between**

**ISLAMIC REPUBLIC OF PAKISTAN**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated October 9, 2003**

**CREDIT NUMBER 3776-PAK**  
**GRANT NUMBER H044-PAK**

**DEVELOPMENT FINANCING AGREEMENT**

AGREEMENT, dated October 9, 2003, between ISLAMIC REPUBLIC OF PAKISTAN acting by its President (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) part of the activities under the Project will be carried out by the Province of Balochistan (Balochistan), the North West Frontier Province (NWFP), the Province of Punjab (Punjab) and the Province of Sindh (Sindh) (the Provinces), and Azad Jammu and Kashmir (AJK) with the Borrower's assistance and, as part of such assistance, the Borrower will make a portion of the proceeds of the credit provided for in Section 2.01(a) of this Agreement (the Credit) and the entire proceeds of the grant provided for in Section 2.01(b) of this Agreement (the Grant) available to the Provinces and AJK, as set forth in this Agreement;

(C) the Borrower and the Association intend, to the extent practicable, that the proceeds of the Grant be disbursed on account of expenditures in respect of the Project before disbursements of the proceeds of the Credit are made;

(D) by an agreement dated May 21, 2002, between the Borrower and the United Kingdom of Great Britain and Northern Ireland (United Kingdom), acting through the Department for International Development (DfID) (the DfID Grant Agreement), DfID has agreed to make a grant to the Borrower in an amount of British Pound Sterling nine hundred thousand (£900,000) (the DfID Grant) to assist in financing part of the Project on the terms and conditions set forth in the DfID Grant Agreement;

(E) the Borrower intends to obtain from Canadian International Development Agency (CIDA) a grant (the CIDA Grant) in an amount of Canadian dollars eight million (C\$8,000,000) to assist in financing part of the Project on the terms and conditions set forth in an agreement (the CIDA Grant Agreement) to be entered into between the Borrower and CIDA; and

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Credit and the Grant to the Borrower upon the terms and conditions set forth in this Agreement and in the agreement of even date herewith among the Association and the Provinces and AJK (the Project 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 Preamble 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, a severe life threatening disease which represents the late clinical stage of human infection with HIV;
- (b) “AJK” means the territory of Azad Jammu and Kashmir;
- (c) “AJK Special Account” means the account which may be opened and maintained for AJK pursuant to the provisions of Section 2.02(b) of this Agreement;
- (d) “Balochistan” means the Province of Balochistan, a political subdivision of the Borrower;
- (e) “Balochistan Special Account” means the account which may be opened and maintained for Balochistan pursuant to the provisions of Section 2.02(b) of this Agreement;
- (f) “BCC” means behavior change communication, a series of activities aimed at changing people’s behaviors so as to reduce their own risk, and that of the community, of becoming infected with HIV;
- (g) “Bids Evaluation Committee” means each and any of the committees for the evaluation of bids received for government-funded projects, referred to in paragraph 7 of Schedule 4 to this Agreement;
- (h) “EMP” means the Borrower’s environmental management plan for the Project dated June 28, 2002, as the same may be amended from time to time with the agreement of the Association;
- (i) “FANA” means the Federally Administered Northern Areas of the Borrower;
- (j) FATA” means the Federally Administered Tribal Areas of the Borrower;

(k) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(l) “FY” and “fiscal year” mean the fiscal year of the Borrower commencing on July 1 of a calendar year and ending on June 30 of the following calendar year;

(m) “HIV” means the Human Immunodeficiency Virus;

(n) “ICT” means the Islamabad Capital Territory administered by the Borrower;

(o) “NACP” means the National AIDS Control Program established under the Borrower’s Cabinet decision (Case No. 17/389 of January 16, 1989);

(p) “NACP Special Account” means the account which may be opened and maintained for NACP (including FANA, FATA and ICT) pursuant to the provisions of Section 2.02(b) of this Agreement;

(q) “Negotiations Committee” means the committee for evaluation of bids received for government-funded projects in AJK, referred to in paragraph 8 of Schedule 4 to this Agreement;

(r) “NGOs” means non-governmental organizations registered and operating under the Borrower’s laws;

(s) “NWFP” means the North West Frontier Province, a political subdivision of the Borrower;

(t) “NWFP Special Account” means the account which may be opened and maintained for NWFP pursuant to the provisions of Section 2.02(b) of this Agreement;

(u) “Project Agreement” means the agreement among the Association, on the one hand, and Balochistan, NWFP, Punjab, Sindh, and AJK on the other hand, of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(v) “Project Implementation Plan” or “PIP” means, in the case of the Borrower, its Project Implementation Plan dated November 16, 2002; in the case of Balochistan, its Project Implementation Plan dated November 14, 2002; in the case of NWFP, its Project Implementation Plan dated November 20, 2002; in the case of Punjab, its Project Implementation Plan dated December 2, 2002; in the case of Sindh, its Project Implementation Plan dated November 21, 2002; and in the case of AJK, its Project Implementation Plan dated December 4, 2002, as the same may be amended from time to time in agreement with the Association;

- (w) “Provinces” means Balochistan, NWFP, Punjab and Sindh collectively;
- (x) “Punjab” means the Province of Punjab, a political subdivision of the Borrower;
- (y) “Punjab Special Account” means the account which may be opened and maintained for Punjab pursuant to the provisions of Section 2.02(b) of this Agreement;
- (z) “Sindh” means the Province of Sindh, a political subdivision of the Borrower;
- (aa) “Sindh Special Account” means the account which may be opened and maintained for Sindh pursuant to the provisions of Section 2.02(b) of this Agreement;
- (bb) “Small Grant” means a grant, not exceeding the equivalent of \$20,000, financed under Part A.2 of the Project;
- (cc) “Small Grants Guidelines” means the Borrower’s Small Grants Guidelines referred to in paragraph 6 of Schedule 4 to this Agreement, as the same may be amended from time to time in agreement with the Association;
- (dd) “Special Accounts” means the accounts referred to in Section 2.02(b) of this Agreement;
- (ee) “STI” means sexually transmitted infection or infections;
- (ff) “TAC” means the Borrower’s Technical Advisory Committee on AIDS established pursuant to National Institute of Health (NIH) letter number NAP-MNG(101)/2002 dated June 10, 2002; and
- (gg) “vulnerable populations” means populations that are greatest at risk of contracting HIV/AIDS, namely, female sex workers, injecting drug users (IDUs), men who have sex with men (MSM), migrant workers particularly long-distance truck drivers, and prisoners, or any other groups that are declared as vulnerable by the Borrower in consultation with the Association.

## **ARTICLE II**

### **The Financing**

Section 2.01. The Association agrees, on the terms and conditions set forth or referred to in this Agreement:

(a) to lend to the Borrower an amount in various currencies equivalent to twenty million two hundred thousand Special Drawing Rights (SDR 20,200,000); and

(b) to make available to the Borrower an amount in various currencies equivalent to six million seven hundred thousand Special Drawing Rights (SDR 6,700,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account and the amount of the Grant may be withdrawn from the Grant Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project, and amounts paid (or, if the Association shall so agree, to be paid) under Small Grants, and to be financed out of the proceeds of the Financing.

(b) The Borrower may, for the purposes of the Project, for NACP, Balochistan, NWFP, Punjab, Sindh and AJK, respectively, open and maintain in dollars separate special deposit accounts in the National Bank of Pakistan on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. 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 December 31, 2008, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association: (i) a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum; and (ii) 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, such rate not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) Each commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or the Grant Account (as the case may be), or canceled; and (ii) at the respective rate set as of the June 30

immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) Each commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent ( $3/4$  of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on June 15 and December 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each June 15 and December 15, commencing June 15, 2013 and ending December 15, 2037. Each installment to and including the installment payable on December 15, 2022, shall be one and one-fourth percent ( $1-1/4\%$ ) of such principal amount, and each installment thereafter shall be two and one-half percent ( $2-1/2\%$ ) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

### **ARTICLE III**

#### **Execution of the Project**

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall:

- (i) carry out its (including FANA's, FATA's and ICT's) activities under the Project through NACP with due diligence and efficiency and in conformity with appropriate administrative, financial, medical and public health practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for its (including FANA's, FATA's, and ICT's) activities under the Project; and
- (ii) without any limitation or restriction upon any of its other obligations under the Financing Agreement, cause the Provinces and AJK to perform in accordance with the provisions of the Project Agreement all the obligations of the Provinces and AJK therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable the Provinces and AJK to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

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



and shall cause the Provinces and AJK to, carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement and their respective PIPs.

(c) The Borrower shall make the proceeds of the Financing available to the Provinces and AJK from time to time in accordance with its standard budgetary procedures.

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 Financing shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan designed to ensure sustainability of the Project; and

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

Section 3.04. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of their activities under the Project shall be carried out by the Provinces and AJK pursuant to Section 2.03 of the Project Agreement.

## **ARTICLE IV**

### **Financial Covenants**

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect its (including NACP's, FANA's, FATA's and ICT's) operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Accounts 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 Financing Accounts were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and 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 Financing Accounts 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 Borrower's progress reporting obligations set out in paragraph 1 of Schedule 4 to this Agreement, the Borrower 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 its (including FANA's, FATA's and ICT's) activities under the Project, both

cumulatively and for the period covered by said report, showing separately funds provided under the Financing, and explains variances between the actual and planned uses of such funds;

- (ii) describes its (including FANA's, FATA's and ICT's) 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 forty-five (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 forty-five (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(1) of the General Conditions, the following additional events are specified:

(a) The Provinces and/or AJK shall have failed to perform any of their obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Provinces and/or AJK will be able to perform their obligations under the Project Agreement.

(c) The CIDA Grant Agreement shall have failed to become effective by September 30, 2003, or such later date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

- (d) (i) Subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the proceeds of the DfID Grant and/or the CIDA Grant shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the DfID Grant Agreement and/or the CIDA Grant Agreement; or

- (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under the DfID Grant Agreement and/or CIDA Grant Agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01(h) of the General Conditions, the following additional events are specified:

- (a) the events specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower;

- (b) the event specified in paragraph (b) of Section 5.01 of this Agreement shall occur; and

- (c) the event specified in paragraph (d) (i) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (d) (ii) of that Section.

## **ARTICLE VI**

### **Effective Date; Termination**

Section 6.01. The following is specified as an additional matter, within the meaning of Section 12.02(b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the Project Agreement has been duly authorized or ratified by the Provinces and AJK, and is legally binding upon the Provinces and AJK in accordance with its terms.

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 Borrower; Addresses**

Section 7.01. The Secretary to the Government of Pakistan, Economic Affairs Division or any Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer of that Division of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

The Secretary to the Government of Pakistan  
Economic Affairs Division  
Islamabad  
Pakistan

Cable address:	Telex:	Facsimile:
ECONOMIC Islamabad	ECDIV-05-634	92-51-9205971 92-51-9206029

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 Islamabad, Pakistan, as of the day and year first above written.

ISLAMIC REPUBLIC OF PAKISTAN

By /s/ Waqar Masood Khan

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Abid Hasan

Acting Country Director, Pakistan

**SCHEDULE 1**

**Withdrawal of the Proceeds of the Financing**

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Financing, the allocation of the amounts of the Credit and 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 Credit Allocated (Expressed in SDR Equivalent)</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods:			
(a) Equipment, office furniture and vehicles	404,000	134,000	100% of foreign expenditures; 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(b) Drugs and supplies	442,000	147,000	100% of foreign expenditures; 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(c) Screening and diagnostic kits:			
(i) for HIV and Hepatitis B	2,506,000	832,000	95% of expenditures until June 30, 2004, 90% of expenditures until June 30, 2005, 85% of expenditures until June 30, 2006, 80% of expenditures until June 30, 2007, and 70% of expenditures until June 30, 2008

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(ii) for Hepatitis C	957,000	318,000	95% of expenditures until June 30, 2005, 90% of expenditures until June 30, 2006, 80% of expenditures until June 30, 2007, and 70% of expenditures until June 30, 2008
(2) Consultant's services and training	11,813,000	3,921,000	90% of expenditures for foreign firms or individuals, and 98% of expenditures for local firms or individuals, and 100% of expenditures for training
(3) Incremental staff and operating costs	1,179,000	392,000	80% of expenditures until June 30, 2005, 60% of expenditures until June 30, 2007, and 40% of expenditures until June 30, 2008
(4) Small grants		449,000	100% of amounts disbursed
(5) Unallocated	2,899,000	507,000	
TOTAL	<u>20,200,000</u> =====	<u>6,700,000</u> =====	



2. For the purposes of this Schedule:

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

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

(c) the term “foreign firms or individuals” means firms that are registered or incorporated in the territory, or, as the case may be, individuals who are nationals, of any country other than that of the Borrower;

(d) the term “local firms or individuals” means firms that are registered or incorporated in the territory, or, as the case may be, individuals who are nationals, of the Borrower;

(e) the term “consultants’ services” includes the services provided by NGOs, in addition to firms, individuals and training institutions; and

(f) the term “incremental staff and operating costs” means the salaries, and travel and daily allowances and other emoluments of national (including FANA, FATA and ICT), provincial and AJK AIDS control programs staff appointed to posts created on or after March 31, 2002, and recruited in accordance with a project staffing plan acceptable to the Association, for the purposes of the Project, and the operating and maintenance costs of vehicles, equipment and office space acquired under and/or used in carrying out the Project, including the costs of utilities, stationery, printing, postage and newspapers.

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

(a) in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 1,500,000, may be made on account of payments made for expenditures before that date but after March 31, 2002; and

(b) in respect of a Small Grant, unless the Small Grant has been approved by the TAC or the relevant Bids Evaluation Committee or the Negotiations Committee, as the case may be, based upon a proposal prepared in accordance with the Small Grants Guidelines.

4. The Association may require withdrawals from the Credit Account and the Grant Account to be made on the basis of statements of expenditure for expenditures for: (a) goods costing less than \$100,000 equivalent each; (b) consultants’ services provided by firms under contracts costing less than \$50,000 equivalent each; (c) consultants’ services provided by individuals under contracts costing less than \$25,000 equivalent

each; and (d) small grants, training and incremental operating costs, all under such terms and conditions as the Association shall specify by notice to the Borrower.

## **SCHEDULE 2**

### **Description of the Project**

The objectives of the Project are: (a) to prevent HIV from becoming established among the Vulnerable Populations; and (b) to limit its spread to the general population.

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

#### **Part A: Expansion of Interventions among Vulnerable Populations**

1. Contracting with NGOs, firms, or other entities to provide vulnerable populations with a package of services that includes: (a) behavior change communication aimed at improving the vulnerable population's knowledge, attitudes, and behaviors related to HIV; (b) voluntary counseling and HIV testing; (c) proper management of sexually transmitted infections; (d) needle exchange and promotion of safe injection practices (among injecting drug users); and (e) empowering activities that allow members of the vulnerable populations to assert greater control of their lives.

2. Financing of grants: (a) to help develop the capacity of NGOs and other institutions to carry out work on HIV/AIDS; (b) to allow small NGOs, and NGOs which have not previously worked on HIV/AIDS, to develop a track record; and (c) to create opportunities for testing and evaluating innovative approaches and carrying out operational research.

#### **Part B: Improved HIV Prevention by the General Population**

1. Carrying out of mass-media campaigns and inter-personal communications aimed at the general population to help improve their HIV-related behaviors, particularly relating to: (a) use of condoms with non-regular sexual partners; (b) use of STI treatment services; (c) use of sterile syringes for injections; (d) receiving of unnecessary injections; (e) giving of voluntary blood donations; (f) use of safe blood for transfusion; and (g) display of tolerant and caring behaviors towards people living with HIV/AIDS and members of vulnerable populations.

2. Carrying out of advocacy and awareness raising activities related to HIV/AIDS control among decision makers and opinion leaders with the aim of helping them: (a) become effective sources of information for the rest of the community; (b) take actions to assist their communities to avoid HIV; (c) provide continuous support for the

AIDS control program; and (d) help prevent stigmatization or harassment of vulnerable populations.

3. Implementation of HIV prevention measures specifically targeted on the youth, police, and formal sector workers in the large cities.
4. Improvement and expansion of STI management using the syndromic approach.

#### Part C: Prevention of HIV/STI Transmission through Blood Transfusion

1. Establishment of provincial blood transfusion authorities (BTAs) and building their capacity to regulate private and public sector blood banks.
2. Implementation of a quality assurance system for blood banks that would include, among other things, laboratory proficiency testing, monitoring and supervision, improved record keeping, end use audits, and re-testing of screened blood by reference laboratories.
3. Provision of materials, equipment, and reagents for testing of blood for HIV and Hepatitis B and C.
4. Implementation of a waste management plan through: (a) the development of guidelines for proper handling of bio-hazardous wastes in blood banks and under needle exchange programs; and (b) the provision of training and materials required for such handling by staff of health facilities with blood banks and NGOs involved in needle exchange programs.

#### Part D: Capacity Building and Program Management

1. Strengthening of the national (including FANA, FATA and ICT), provincial and AJK AIDS control programs, through the provision of staff, technical assistance, training and equipment.
2. Strengthening of participating NGOs, through the provision of technical assistance and training.
3. Carrying out of: (a) second generation behavioral and HIV sero-surveillance among vulnerable populations; and (b) evaluations of the different Project components, all through the provision of technical assistance.

4. Establishment and/or strengthening of HIV/AIDS management units that provide care for people living with HIV/AIDS, through the provision of staff, technical assistance, training and medicines.

\* \* \*

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

### **SCHEDULE 3**

#### **Procurement and Consultants' Services**

Section I.      Procurement of Goods

Part A:        General

Goods 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 Section I of this Schedule.

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.

Preference for domestically manufactured goods

2.      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 Borrower and to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

Part C:        Other Procurement Procedures

1.      National Competitive Bidding

(a)      Goods other than diagnostic/screening kits estimated to cost \$30,000 equivalent or more but less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$1,630,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b)      The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of subparagraph (a) of this paragraph 1:

(i) Grouping of Contracts

To the extent practicable, contracts shall be grouped in bid packages to attract national bidders.

(ii) Improvement of Bidding Procedures

In order to ensure economy, efficiency, transparency and broad consistency with the provisions of Section 1 of the Guidelines:

(aa) invitations to bid shall be advertised in at least one national newspaper with a wide circulation, at least 30 days prior to the deadline for the submission of bids;

(bb) bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee;

(cc) foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders in the bidding process;

(dd) bidding shall not be restricted to pre-registered firms;

(ee) qualification criteria shall be stated in the bidding documents;

(ff) bids shall be opened in public, immediately after the deadline for submission of bids;

(gg) bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Association;

(hh) before rejecting all bids and soliciting new bids, the Association's prior concurrence shall be obtained;

(ii) bids shall be solicited and contracts shall be awarded on the basis of unit prices and not on the basis of a composite schedule of rates (CSR);

(jj) contracts shall not be awarded on the basis of nationally negotiated rates;

(kk) contracts shall be awarded to the lowest evaluated and qualified bidders; and

(ll) post-bidding negotiations shall not be allowed with the lowest evaluated or any other bidders.

2. National Shopping

Goods, other than diagnostic/screening kits, estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$1,590,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement from UN Agencies

Diagnostic/screening kits may be procured from the World Health Organization (WHO) in accordance with the provisions of paragraph 3.9 of the Guidelines, except that large quantities may be procured.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts in any given year, the proposed procurement plan of each implementing agency for the Project for such year 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 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 awarded in accordance with the provisions of Part B of this Section I, and (b) the first contract for goods, irrespective of value, and each subsequent contract for goods, estimated to cost the equivalent of \$100,000 or more, awarded by each implementing agency in accordance with the provisions of Part C.1 of this Section I, 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 D, 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 \$200,000 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, estimated to cost less than \$100,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. 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

Prior to the issuance to consultants of any requests for proposals in any given year, the proposed plan of each implementing agency for the selection of consultants under the Project for such year shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to: (i) the first contract for the employment of consulting firms awarded by each implementing agency, irrespective of value, and (ii) each subsequent such contract estimated to cost the equivalent of \$50,000 or more, the procedures set forth in paragraphs 1, 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to: (i) the first contract for the employment of individual consultants awarded by each implementing agency, irrespective of value, and (ii) each subsequent such contract estimated to cost the equivalent of \$25,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

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

## **SCHEDULE 4**

### **Implementation Program**

1. The Borrower shall, and shall cause the Provinces and AJK to:
  - (a) maintain policies and procedures adequate to enable them 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 December 31, 2005, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the 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 March 31, 2006, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.
2. The Borrower, the Provinces and AJK shall, throughout the period of implementation of the Project, maintain adequate levels of staff including financial management staff needed for their respective AIDS control programs and agreed with the Association from time to time.
3. The Borrower, the Provinces and AJK shall, throughout the period of implementation of the Project and in a manner satisfactory to the Association, maintain the Steering Committees established for the purposes of their respective AIDS control programs and existing at the date of this Agreement.
4. The Borrower, the Provinces and AJK shall, throughout the period of implementation of the Project and in a manner satisfactory to the Association, maintain the Technical Advisory Committees established for the purposes of their respective AIDS control programs and existing at the date of this Agreement.
5. The Borrower shall, not later than March 31, 2004, or such later date as the Association may agree, formulate, approve, and begin implementation of technical guidelines on:

(a) the proper handling, storage, and disposal of sharps and needles, syringes, and disposable blood transfusion equipment, such as blood bags and tubing, consistently with the EMP;

(b) the best practices for carrying out voluntary HIV counseling and testing (VCT), based on respect for the patient's dignity and civil rights, including confidentiality; and

(c) the conduct of HIV/AIDS-related research, including on such topics as bio-ethical reviews, informed consent of subjects, and respect for the subject's dignity and civil rights, including confidentiality.

6. The Borrower, shall not later than September 30, 2003, or such later date as the Association may agree, prepare, in consultation with the Provinces and AJK, and furnish to the Association for its concurrence, guidelines for the preparation, appraisal, approval and implementation of Small Grants projects.

7. The Provinces shall each, not later than September 30, 2003, or such later date as the Association may agree, establish a bids evaluation committee for the evaluation of bids received for government-funded projects, and inform the Association accordingly.

8. AJK shall, not later than September 30, 2003, or such later date as the Association may agree, establish a negotiations committee for the evaluation of bids received for government-funded projects, and inform the Association accordingly.

## **SCHEDULE 5**

### **Special Accounts**

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories (1), (2), (3) and (4) 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 and services required for the Project and to be financed out of the proceeds of the Financing allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement;

(c) the term “Authorized Allocation” means, with respect to the NACP Special Account, an amount equivalent to \$700,000, to be withdrawn from the Credit Account or the Grant Account and deposited into the NACP Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$350,000 until the aggregate amount of withdrawals from the Credit Account and the Grant Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 7,500,000;

(d) the term “Authorized Allocation” means, with respect to the Balochistan Special Account, an amount equivalent to \$300,000, to be withdrawn from the Credit Account or the Grant Account and deposited into the Balochistan Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$150,000 until the aggregate amount of withdrawals from the Credit Account and the Grant Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 7,500,000;

(e) the term “Authorized Allocation” means, with respect to the NWFP Special Account, an amount equivalent to \$400,000, to be withdrawn from the Credit Account or the Grant Account and deposited into the NWFP Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$200,000 until the aggregate amount of withdrawals from the Credit Account and the Grant Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 7,500,000;

(f) the term “Authorized Allocation” means, with respect to the Punjab Special Account, an amount equivalent to \$700,000, to be withdrawn from the Credit Account or the Grant Account and deposited into the Punjab Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$350,000 until the aggregate amount of withdrawals from the Credit Account and the Grant Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 7,500,000;

(g) the term “Authorized Allocation” means, with respect to the Sindh Special Account, an amount equivalent to \$700,000, to be withdrawn from the Credit Account or the Grant Account and deposited into the Sindh Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$350,000 until the aggregate amount of withdrawals from the Credit Account and the Grant Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 7,500,000; and

(h) the term “Authorized Allocation” means, with respect to the AJK Special Account, an amount equivalent to \$200,000, to be withdrawn from the Credit Account or the Grant Account and deposited into the AJK Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$100,000 until the aggregate amount of withdrawals from the Credit Account and the Grant Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 7,500,000.

2. Payments out of the respective Special Accounts 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 Borrower 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 Borrower, withdraw from the Credit Account or the Grant Account and deposit into the respective Special Account such amount or amounts as the Borrower shall have requested.

- (b) (i) For replenishment of the respective Special Account, the Borrower 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 Borrower 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 Borrower, withdraw from the Credit Account or the Grant Account and deposit into the respective Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the respective Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account or 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 Borrower out of the respective Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

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 Borrower directly from the Credit Account or 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 Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b)(ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Accounts;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account and the Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit and 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 for said Special Account.

Thereafter, withdrawal from the Credit Account and the Grant Account of the remaining unwithdrawn amount of the Credit and the Grant allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in 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 Borrower 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 Borrower 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 Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in 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 Credit Account or the Grant Account, as the case may be, for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.



## **SCHEDULE 6**

### **Modifications of General Conditions**

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

1. Section 1.01 is amended to read:

“These General Conditions set forth certain terms and conditions generally applicable to development financing granted by the Association as a development credit and development grant to its members. They apply to any development financing agreement providing for any such development finance to the extent and subject to any modifications set forth in such agreement”.

2. Paragraph 8 of Section 2.01 is amended to read as follows:

8. “Development Financing Agreement” means the particular Development Financing Agreement to which these General Conditions apply, as such agreement may be amended from time to time. Development Financing Agreement includes these General Conditions as applied thereto, and all schedules and agreements supplemental to the Development Financing Agreement.

3. The following new paragraphs are added to Section 2.01:

“15. “Grant” means the development grant provided for in the Development Financing Agreement.”;

“16. “Grant Account” means the account opened by the Association on its books in the name of the Borrower to which the amount of the Grant is credited.”;

“17. “Financing” means, collectively, the Credit and the Grant”; and

“18. “Financing Accounts” means, collectively, the Credit Account and the Grant Account (or, where the context so requires, either of the Credit Account or the Grant Account).”

4. The term “Credit”, wherever used in the following Articles and Sections of the General Conditions, is amended to read “Financing”: Sections 2.01(3), 2.01(12), 4.01, Article V, Article VI (excluding Section 6.05), Section 7.01(d), Article VIII, and Article IX.

5. The term “Credit Account”, wherever used in the following Articles and Sections of the General Conditions, is amended to read “Financing Accounts”: Section 2.01(6), 4.01, Article V, Article VI, and Section 12.03.

6. The term “Development Credit Agreement”, wherever used in the General Conditions, is amended to read the Development Financing Agreement.

7. Section 3.01 is modified to read as follows:

“Section 3.01. *Financing Accounts.* The amount of the Credit shall be credited to the Credit Account and may be withdrawn from the Credit Account by the Borrower as provided in the Development Financing Agreement and in these General Conditions. The amount of the Grant shall be credited to the Grant Account and may be withdrawn from the Grant Account by the Borrower as provided in the Development Financing Agreement and in these General Conditions.”

8. The phrase “(including any development financing agreement or development grant agreement)” is added to Section 6.02(a)(ii) after the words “any development credit agreement” and before the words “between the Borrower and the Association”, to Section 6.02(c)(i) after the words “any development credit agreement” and before the words “with the Association”, and to Section 7.01(b)(i) after the words “any other development credit agreement” and before the words “between the Borrower and the Association”:

9. Section 6.05 is amended to read as follows:

“Except as the Borrower and the Association shall otherwise agree, any cancellation of any amount of the Credit shall be applied *pro rata* to the several installments of the principal amount of the Credit maturing after the date of such cancellation.”