

CONFORMED COPY

CREDIT NUMBER 3459-UG

Development Credit Agreement

(HIV/AIDS Control Project)

between

THE REPUBLIC OF UGANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 15, 2001

CREDIT NUMBER 3459-UG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 15, 2001, between THE REPUBLIC OF UGANDA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Association has received from the Borrower the following policy document, namely the Borrower's National Strategic Framework for HIV/AIDS Activities in Uganda 2000/1-2005/6, describing the Borrower's program of actions, objectives and policies designed to prevent and control the HIV/AIDS epidemic (the said document being hereinafter referred to as the Program) and declaring the Borrower's commitment to the execution of the Program;

(C) the Executive Directors of the Association approved, on September 12, 2000, the Multi-Country HIV/AIDS Program for the Africa Region estimated in the amount of SDR 378.4 million over the next three years;

(D) this Project is part of the Multi-Country HIV/AIDS Program for the Africa Region; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 11 of Resolution No. 194 of the Board of Governors of the Association, adopted on April 8, 1999; and 'Participating Countries' means, collectively, all such countries." ; and

(b) The second sentence of Section 5.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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

(a) "AIDS" means the Acquired Immune Deficiency Syndrome;

(b) "Beneficiary" means a CBO, CSO (as hereinafter defined), trade and professional associations, associations of persons living with HIV/AIDS, associations of people at high risk of, or particularly vulnerable to, HIV infection, or combinations of these groups, or any other relevant organization, as determined by the Uganda AIDS Commission (as hereinafter defined), 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 which, as a result, has received or is entitled to receive, a Grant (as hereinafter defined) for the carrying out of a Subproject (as hereinafter defined);

(c) "Community Based Organization" or "CBO" means any group of two or more individuals, that is recognized by the District AIDS Committee (as hereinafter defined), and organizes itself for the purpose of submitting and implementing a Sub-project, under Part C of the Project;

(d) "Civil Society Organization" or "CSO" means a national or international non-governmental organization established, and/or registered and operating under the laws of the Borrower, which is recognized by the Uganda AIDS Commission, or by a District HIV/AIDS Committee, as a provider of HIV-AIDS related prevention, care, and support;

(e) "District" means a district established under the Borrower's Constitution and the Borrower's Local Governments Act of 1997;

(f) "District HIV/AIDS Committee" or "DHAC" means a sub-committee of the District Technical Planning Committee (as hereinafter defined) and shall include representatives of the District, non-governmental organizations, community groups and other stakeholders, established under the laws of the Borrower to coordinate the

Borrower's response to AIDS at the District level;

(g) "District Technical Planning Committee" means the committee referred to in Section 37 of the Borrower's Local Governments Act of 1997;

(h) "Eligible Categories" means Categories (1), (2), (3), (4) and (5) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(i) "Eligible Expenditures" means expenditures in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement;

(j) "Grant" means a grant to be made to finance a Subproject under Part C of the Project;

(k) "Grant Agreement" means the agreement referred to in paragraph (6) of Schedule 4 to this Agreement;

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

(m) "IAPSO" means the Inter-Agency Procurement Services of the United Nations;

(n) "IEC materials" means information, education and communication materials;

(o) "Implementing Agencies" includes UAC (as hereinafter defined), the Borrower's line ministries, Districts, and related agencies participating in the Project;

(p) "National Strategic Framework" means the Borrower's National Strategic Framework for HIV/AIDS Activities in Uganda 2000/1-2005/6;

(q) "Project Coordination Team" means consultants contracted under the Project by the Uganda AIDS Commission, to perform day-to-day Project-related coordination, facilitation, management, monitoring and evaluation activities;

(r) "Project Implementation Plan" means the planned schedule of Project activities, including responsibility, timetable, estimated costs, budget, and financing plan referred to in paragraph 1 of Schedule 4 to this Agreement;

(s) "Project Operational Manual" means the manual of procedures referred to in paragraph 1 of Schedule 4 to this Agreement, setting out details of all procedures, guidelines, processes, calendars, and criteria for the Project, including procedures, guidelines, eligibility and other criteria for subprojects under Part C of the Project;

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

(u) "Special Account" means the account referred to in Part B of Schedule 1 to this Agreement;

(v) "Subproject" means a program or other initiative to be carried out by Beneficiaries under Part C of the Project which, having met the eligibility criteria set out in the Project Operational Manual and the provisions of Schedule 4 to this Agreement, is eligible for financing, on a grant basis;

(w) "Uganda AIDS Commission" or "UAC" means the Uganda AIDS Commission, established under the Borrower's Uganda AIDS Commission Statute of March 1992;

(x) "UNFPA" means the United Nations Fund for Population Activities;

(y) "UNICEF" means the United Nations Children's Emergency Fund; and

(z) "WHO" means the World Health Organization.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to thirty seven million three hundred thousand Special Drawing Rights (SDR 37,300,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Credit; and (ii) amounts paid (or, if the Association shall so agree, amounts to be paid) by the Borrower on account of withdrawals made to meet the reasonable cost of goods, works and services required for any Subproject in respect of which the withdrawal from the Credit Account is requested.

Section 2.03. The Closing Date shall be December 31, 2006 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on April 1 and October 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each April 1 and October 1 commencing April 1, 2011 and ending October 1, 2040. Each installment to and including the installment payable on October 1, 2020 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

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

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

Section 2.08. The currency of the 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 carry out the Project through UAC 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 Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

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

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

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the

operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles 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, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of Project Management Reports or statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the Project Management Reports or statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of its financial management system for the Project in order to enable the Borrower, not later than December 31, 2002, or such later date as the Association shall agree, to prepare quarterly Project Management Reports, acceptable to the Association, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;

(ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast

implementation

targets; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

ARTICLE V

Other Covenants

Section 5.01. The Borrower shall cause UAC:

(a) to take out and maintain with responsible insurers, or to make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice;

(b) to carry on its operations and conduct its affairs in accordance with sound administrative, financial and health service practices, under the supervision of qualified and experienced management assisted by competent staff in adequate numbers; and

(c) at all times to operate and to maintain its facilities, equipment and other property, and from time to time, promptly as needed, to make all necessary repairs and renewals thereof, all in accordance with sound engineering and financial practices.

ARTICLE VI

Effective Date; Termination

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

(a) the Borrower has adopted the Project Operational Manual and the Project Implementation Plan in form and substance satisfactory to the Association;

(b) the Borrower has appointed a Project Coordination Team comprising a coordinator, a financial manager and controller, a monitoring and evaluation specialist, and a procurement specialist, all with qualifications and experience satisfactory to the Association; and

(c) the Borrower has established an accounting and financial management system satisfactory to the Association.

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 Minister of Finance, Planning and Economic Development 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:

Ministry of Finance, Planning
and Economic Development
P.O Box 8147
Kampala
Uganda

Cable address:

FINSEC
Kampala

Facsimile:

230163

For the Association:

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

Cable address: Telex: Facsimile:

INDEVAS 248423 (MCI) or (202) 477-6391
Washington, D.C. 64145 (MCI)

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.

THE REPUBLIC OF UGANDA

By /s/ Edith Ssempala

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo

Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

A. General

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Works	1,970,000	90%

(2)	Goods	16,500,000	100% of foreign expenditures and 90% of local expenditures
(3)	Consultants' services, training and audit fees	3,140,000	100%
(4)	Operating costs	3,930,000	90%
(5)	Grants for Subprojects under Part C of the Project	7,840,000	95%
(6)	Unallocated	3,920,000	
	TOTAL	37,300,000	

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; and

(c) the term "Operating costs" means the incremental operating costs arising under the Project on account of maintenance of vehicles, fuel, equipment, office supplies, utilities, consumables, travel per diems and allowances, travel and accommodation, office rental and Project support staff recruited to work as part of the Project Coordination Team, excluding salaries of the Borrower's Civil Service.

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

(a) expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 1,000,000, may be made in respect of Categories (1), (2), (3) and (4) on account of payments made for expenditures before that date but after October 10, 2000; and

(b) expenditures for Grants under Category (5) unless: (i) the Beneficiary concerned has entered into a Grant Agreement with an Implementing Agency; and (ii) the Grant in question has been made in accordance with the procedures, guidelines and other provisions set out or referred to in the Project Operational Manual and this Agreement.

B. Special Account

1. The Borrower shall open and maintain in dollars a special deposit account in a commercial bank, on terms and conditions satisfactory to the Association including appropriate protection against set-off, seizure and attachment. Except as the Association may otherwise specify by notice to the Borrower, all withdrawals from the Credit Account shall be deposited by the Association into the Special Account in accordance with the provisions of this Schedule. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the 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.

2. Except as the Association shall otherwise agree, after the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals from the Credit Account of amounts to be deposited into the said Special Account shall be made as follows:

(a) Each application for withdrawal from the Credit Account shall be

supported by a Project Management Report.

(b) Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of: (i) the amount so requested; and (ii) the amount which the Association has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said report to be remaining in the Special Account, shall not exceed the equivalent of \$6,000,000. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Special Account's Eligible Categories.

3. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

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

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

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

4. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

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

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

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

(d) Refunds to the Association made pursuant to sub-paragraph (a), (b) or (c) of this paragraph 5 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Development Credit Agreement.

Annex A to SCHEDULE 1

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

1. For the purposes of this Annex, the term "Authorized Allocation" means, an amount equivalent to \$2,500,000 (two million five hundred thousand dollars) to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$1,250,000 until the aggregate amount of withdrawals from the Credit 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 4,000,000.

2. Withdrawals of the Special Account's Authorized Allocations and subsequent withdrawals to replenish the Special Account should be made as follows:

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

(b) For replenishment of said Special Account, the Borrower shall furnish to the Association requests for deposit into said Special Account at such intervals as the Association shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into said Special Accounts such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of said Special Account for Eligible Expenditures. Each such deposit into said Special Account shall be withdrawn by the Association from the Credit Account under one or more of said Special Account's Eligible Categories.

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

Annex B to SCHEDULE 1

Operation of Special Account When Withdrawals Are Made On the Basis of Project Management Reports

1. Except as the Association may otherwise specify by notice to the Borrower, all withdrawals from the Credit Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Special Account's Eligible Categories.

2. Each application for withdrawal from the Credit Account for deposit into the Special Account shall be supported by a Project Management Report.

3. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to

the amount indicated by said Project Management Report to be remaining in the Special Account, shall not exceed the equivalent of \$6,000,000.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in carrying out the National Strategic Framework to: (a) reduce the spread of HIV infection; (b) mitigate the health and socio-economic impact of HIV/AIDS at the individual, household and community levels; and (c) strengthen the national capacity to respond to the epidemic.

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

Part A: Nationally Coordinated Initiatives

Support activities designed to strengthen the capacity of the UAC to coordinate the multi-sector HIV/AIDS activities, and support for Implementing Agencies including line ministries and national and regional civil society-led prevention and care activities including:

(a) the strengthening of the capacity of UAC and the said ministries to develop policies and activities designed to stem the spread of the HIV/AIDS epidemic;

(b) the preparation and implementation by UAC and the said ministries of work-programs enabling a sector-specific response to be made to the HIV/AIDS epidemic, including activities designed to prevent the spread of HIV infection, provide care and support for people living with HIV/AIDS and their families, HIV/AIDS-related research and knowledge management, and monitoring and evaluation of said activities;

(c) the strengthening of the capacity of national and regional level Civil Society Organizations and the private sector to deliver prevention and care activities;

(d) the provision of prevention and care activities designed to reduce the spread of HIV and its impact on people living with HIV/AIDS and their families; and

(e) manage, monitor and evaluate different program components.

Part B: District-Level Initiatives

Support for integrated, multi-sector HIV/AIDS control activities directly carried out, or contracted out, by District authorities, including:

(a) training of District-based staff including: (i) teachers, health care professionals; (ii) rural extension and fishery workers and other workers; and (iii) Civil Society Organizations on HIV/AIDS control and mitigation;

(b) training traditional birth attendants, traditional practitioners and volunteers to provide HIV/AIDS prevention and care activities;

(c) provision of prevention and care activities in the Districts, including the provision of IEC, voluntary counseling and testing and clinical management of HIV/AIDS, sexually transmitted and opportunistic infections, mother to child transmission, home and community-based care, and orphan care;

(d) promotion of legal rights of orphans and people living with HIV/AIDS and their families;

(e) promotion of community-led and civil society-led HIV/AIDS initiatives;

(f) carrying out of District-based HIV/AIDS surveillance; and

(g) management, monitoring and evaluation of District-based HIV/AIDS

programs.

Part C: Community-Led HIV/AIDS Initiatives

Support for community based organization-led, and civil society organization-led, HIV/AIDS control activities, including:

- (a) the provision of prevention-related activities to stem the spread of HIV; and
- (b) the provision of care and support for poor orphans and people living with HIV/AIDS and their families.

* * *

The Project is expected to be completed by June 30, 2006.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

1. Goods and works shall be procured in accordance with: (a) 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 (b) the provisions of the following Parts of this Section I.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods 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 and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

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

(b) Preference for domestically manufactured goods

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

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$2,200,000 equivalent, and (b) works estimated to cost less than \$300,000 per contract, up to an aggregate amount not to exceed \$2,000,000, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International or National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$5,500,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement from UN Agencies

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 from IAPSO, UNFPA, UNICEF and WHO in accordance with the provisions of paragraph 3.9 of the Guidelines.

4. Procurement for Emergency purposes

The following items if: (i) listed on a procurement plan for the Project satisfactory to the Association and determined by the Borrower and the Association as emergency requirements for purposes of the Project; and (ii) procured by UAC under contracts awarded within a period not later than 12 months after the Effective Date, may in the case of: (A) drugs for opportunistic infections, HIV and syphilis test kits and tuberculosis laboratory reagents, estimated to cost less than \$200,000 (up to an aggregate amount not to exceed \$1,000,000 equivalent) be procured through international shopping procedures; (B) computers and accessories, office and power equipment (up to an aggregate amount not to exceed \$100,000 equivalent) be procured through shopping or from IAPSO in accordance with the provisions of paragraph 3.9 of the Guidelines; and (C) vehicles (up to an aggregate amount not to exceed \$350,000 equivalent) may be procured (1) from IAPSO in accordance with the provisions of paragraph 3.9 of the Guidelines, and/or (2) 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.

5. Community Participation

Goods and works included in Subprojects and required for Part C of the Project shall, pursuant to paragraph 3.15 of the Guidelines, be procured in accordance with procedures acceptable to the Association.

6. Procurement of Minor Works

Works estimated to cost less than \$60,000 equivalent per contract, up to an aggregate amount not to exceed \$1,000,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement 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 each contract for: (a) goods estimated to cost the equivalent of \$100,000 or more; or (b) works estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with: (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines); and (b) the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: Quality- and Cost-Based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

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

Part C: Other Procedures for the Selection of Consultants

3. Least-Cost Selection

Services of a routine nature estimated to cost less than \$100,000 equivalent per contract and where the Association is satisfied that well established practices and standards and financial audits exist, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

4. Selection Based on Consultants' Qualifications

Services to be procured from firms which are 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.

5. Single Source Selection

Services procured at the District level under work plans satisfactory to the Association, which are estimated to cost less than \$5,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

6. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

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

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed

plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 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.

(d) With respect to each contract for the employment of consultants selected on the basis of single source selection estimated to cost the equivalent of \$5,000 or more, shall be awarded only after prior approval of the Association.

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. Project Operational Manual and Project Implementation Plan

(a) The Borrower shall prepare and furnish to the Association a Project Operational Manual and a Project Implementation Plan in form and substance satisfactory to the Association setting out details of all procedures, guidelines, processes, timetables and criteria for the Project (including procedures, guidelines, eligibility and other criteria for Subprojects under Part C of the Project).

(b) The Borrower shall ensure that the Implementing Agencies will carry out the Project in accordance with the Project Operational Manual and the Project Implementation Plan and, except as the Association shall otherwise agree, shall not amend or waive any provision of the Project Operational Manual and Project Implementation Plan if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

2. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 5 to this Agreement, 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 March 15 and September 15 of each year, 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 April 15 and October 15 of each year, or such later date as the Association shall otherwise agree, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

3. Project Management and Implementation - Coordinating Agencies

(a) UAC shall be responsible for the overall coordination of the Borrower's National HIV/AIDS program and all activities under the Project.

(b) The UAC Director General, assisted by a Project coordinator, shall serve as Project director. The Project coordinator shall be supported by a Project coordination team.

4. The Borrower shall establish and maintain an advisory Project steering committee which shall consist of: (i) a chairman who shall be the Permanent Secretary of the Office of the President; and (ii) representatives from key sectors and institutions, as well as representatives from key civil society organizations, including those which represent people living with AIDS. The Project coordinator shall serve as the secretary of the Project steering committee and shall ensure that recommendations of the Committee are implemented by the Project coordination team.

5. The Borrower shall cause all Implementing Agencies to prepare and furnish to UAC an annual work plan in form and substance satisfactory to the Association.

6. Provisions of Grant Agreements

(a) The Borrower shall ensure that a Grant for financing a subproject shall be made by an Implementing Agency to a Beneficiary, under an agreement, satisfactory to the Association, to be entered into between the Implementing Agency and the Beneficiary (the Grant Agreement).

(b) The Grant Agreement shall provide for rights adequate to protect the interests of the Association, the Borrower and Implementing Agency, including to the extent that it shall be appropriate to require the Beneficiary to:

(i) carry out the Subproject with due diligence and efficiency and in accordance with sound administrative, financial, health, managerial standards;

(ii) maintain adequate records for the Subproject concerned;

(iii) procure all goods, works and services required for a Subproject or activity in accordance with the provisions of Schedule 3 to this Agreement;

(iv) use the goods, works and services so procured exclusively in the carrying out of the Subproject or activity; and

(v) permit UAC or the Borrower to inspect, by itself or jointly with representatives of the Association if the Association shall so request, any goods, works, plants and construction included in the Subproject or activity, the operation thereof, and any relevant records and documents.

