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**IDA GRANT NUMBER H149 7C**

# **Development Grant Agreement**

**(Central Asia AIDS Control Project)**

**between**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**and**

**CENTRAL ASIA COOPERATION ORGANIZATION**

**Dated May 12, 2005**

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**IDA GRANT NUMBER H149 7C**

**DEVELOPMENT GRANT AGREEMENT**

AGREEMENT, dated May 12, 2005, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and CENTRAL ASIA COOPERATION ORGANIZATION (the Recipient).

WHEREAS (A) the Recipient is a duly established international organization and represents that it has the necessary legal capacity and powers to enter into this Agreement and perform its obligations herein set forth;

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

(C) the Recipient intends to receive from the DFID a grant in an amount equivalent to \$1,900,000 (the DFID Cofinancing) to assist in financing the Project on the terms and conditions set forth in an agreement to be entered into between the Recipient and the Association acting as administrator of grant funds provided by the DFID (the Cofinancing Agreement); and

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

NOW THEREFORE, the parties hereto hereby agree as follows:

**ARTICLE I**

**General Conditions; Definitions**

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through May 1, 2004), with the modifications set forth in Schedule 6 to this Agreement (the General Conditions), constitute an integral part of this Agreement.

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

(a) “Advance Account” means an Account referred to in Section 2.02 (c) of this Agreement;

(b) “Benefiting Countries” means jointly the Republic of Kazakhstan, the Kyrgyz Republic, the Republic of Tajikistan and the Republic of Uzbekistan and “Benefiting Country” means any of these countries;

(c) “CACO” means the Central Asia Cooperation Organization established by the CACO Agreement (as defined below);

(d) “CACO Agreement” means the Agreement among the Republic of Kazakhstan, the Kyrgyz Republic, the Republic of Tajikistan and the Republic of Uzbekistan on Establishment of the Central Asia Cooperation Organization, dated February 28, 2002;

(e) “DFID” means the Department for International Development of the Government of the United Kingdom;

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

(g) “Grant” means the financial assistance extended by the Association to the Recipient under this Agreement;

(h) “NGOs” means the non-governmental organizations;

(i) “POM” means the Project Operational Manual referred to in paragraph A.1 of Schedule 4 to this Agreement;

(j) “Procurement Plan” means the Recipient’s procurement plan, dated January 25, 2005, covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation;

(k) “Regional AIDS Fund” or “RAF” means the regional fund established under Part B of the Project to finance on grant basis eligible regional initiatives to contain the HIV/AIDS epidemic and STIs in the Benefiting Countries;

(l) "RPMU" means the Regional Project Management Unit of the Project with the composition and terms of reference satisfactory to the Association, referred to in Section 6.01 (c) of this Agreement, or any successor thereto;

(m) "RPSC" means the Regional Project Steering Committee of the composition and terms of reference satisfactory to the Association and referred to in Section 6.01 (b) and paragraph 2 (a) of Part A of Schedule 4 of this Agreement;

(n) "STI" means sexually transmitted infection;

(o) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(p) "Subgrant" means a grant provided or proposed to be provided to an eligible recipient from the proceeds of the Grant under Part B of the Project to finance expenditures in respect of goods, works and consultants' services necessary for the implementation of a Subproject (as defined below);

(q) "Subproject" means a subproject in the territory of a Benefiting Country or Benefiting Countries financed or proposed to be financed from the Regional AIDS Fund under Part B of the Project which satisfy the eligibility criteria set forth in the POM; and

(r) "UNAIDS" means the Joint United Nations Development Program on HIV/AIDS.

## **ARTICLE II**

### **The Grant**

Section 2.01. The Association agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to sixteen million two hundred thousand Special Drawing Rights (SDR 16,200,000).

Section 2.02. (a) The amount of the Grant may be withdrawn from the Grant Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for carrying out the Project, and (ii) amounts paid (or, if the Association shall so agree, amounts to be paid) by the Recipient on account of withdrawals made by a beneficiary of a Subgrant to meet the reasonable cost of goods, works and services required for the implementation of a

Subproject under Part B of the Project in respect of which the withdrawal from the Grant Account is requested.

(b) The Recipient may, for the purposes of the Project, open and maintain in Dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) The Recipient may, for the purposes of the Project implementation, open and maintain in Dollars an Advance Account in a commercial bank of each Benefiting Country 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 Advance Account shall be made in accordance with the procedures acceptable to the Association.

Section 2.03. The Closing Date shall be December 31, 2010 or such later date as the Association shall establish. The Association shall promptly notify the Recipient of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty (60) days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Recipient from the Grant Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.04 of this Agreement.

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

Section 2.05. Commitment charges shall be payable semi-annually on April 1 and October 1 in each year.

### **ARTICLE III**

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

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

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Recipient and the Association shall otherwise agree, the Recipient shall carry out the Project in accordance with the implementation program set forth in Schedule 4 to this Agreement.

Section 3.02. (a) Except as the Association shall otherwise agree, procurement of the goods and services required for the Project and to be financed out of the proceeds of the Grant shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Recipient shall update the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association not later than 12 months after the date of the preceding Procurement Plan, for the Association's approval.

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

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

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

## ARTICLE IV

### Financial Covenants

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

(b) The Recipient shall:

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

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

- (i) retain, until at least one year after the Association has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (ii) enable the Association's representatives to examine such records; and

- (iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

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

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

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

## **ARTICLE V**

### **Remedies of the Association**

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional event is specified, namely, that the CACO Agreement has been amended, suspended, abrogated, repealed or waived by its members or unilaterally by any one of the Benefiting Countries so as to affect materially and adversely the ability of CACO to carry out the Project.

## **ARTICLE VI**



### **Effectiveness; Termination**

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

- (a) the CACO Agreement has been ratified by all the Benefiting Countries;
- (b) the RPSC has been established;
- (c) the RPMU has been established; and
- (d) the POM, satisfactory to the Association, has been adopted.

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

### **ARTICLE VII**

#### **Representative of the Recipient; Addresses**

Section 7.01. The Chairman of the RPSC is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

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

For the Recipient:

Ministry of Foreign Affairs  
Republic of Tajikistan  
42 Rudaky ave.  
Dushanbe 734051  
Republic of Tajikistan

Facsimile:

992 372 21-02-59

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)  
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 Almaty, Republic of Kazakhstan, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Christopher Lovelace

Authorized Representative

CENTRAL ASIA COOPERATION ORGANIZATION

By /s/ Abdunabi Sattorov

Authorized Representative

**SCHEDULE 1**

**Withdrawal of the Proceeds of the Grant**

A. General

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

<u>Category</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods	1,950,000	100%
(2) Consultants' services, including audit and training	2,860,000	100%
(3) Subgrants under Part B of the Project	8,420,000	100%
(4) Operating Costs	1,350,000	100%
(5) Unallocated	<u>1,620,000</u>	
TOTAL	<u>16,200,000</u>	

2. For the purposes of this Schedule:

(a) the term "training" means expenditures for Project related study tours, training courses, seminars, workshops and other training activities not included under goods or service providers' contracts, including costs of training materials, space and equipment rental, travel and per diem costs of trainees and trainers; and

(b) "operating costs" means incremental expenses incurred by the RPMU on account of Project implementation, management and monitoring, including staff salaries, non-resident staff accommodation expenses, social charges, office rent and utilities, office and equipment maintenance and repair, vehicle maintenance and repair, local

travel, communication, translation and interpretation, bank charges, and other miscellaneous costs directly associated with the Project, all based on periodic budgets acceptable to the Association.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Association may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures for Subgrants and operating costs and training and for expenditures under contracts for goods and services not subject to the Association's prior review, as stipulated in the Procurement Plan, all under such terms and conditions as the Association shall specify by notice to the Recipient.

5. If the Association shall have determined at any time that any amount of the Grant was used in a manner inconsistent with the provisions of this Agreement, the Recipient shall, promptly upon notice from the Association, refund to the Association for deposit into the Grant Account, an amount equivalent to the amount so used.

## **SCHEDULE 2**

### **Description of the Project**

The objectives of the Project are: (i) to reduce the growth rate of the HIV/AIDS epidemic in Central Asia in the period of 2005-2010; (ii) to establish in Central Asia a sustainable mechanism - the Regional AIDS Fund - that would serve as a vehicle for financing HIV/AIDS prevention and control activities in the region during and beyond the life of the Project; and (iii) to contribute to better regional cooperation in Central Asia, and effective inter-sectoral collaboration between public sector, non-governmental organizations and private sector on HIV/AIDS control in this region.

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

#### **Part A. Regional Coordination, Policy Development and Capacity Building**

1. Provision of technical assistance, training and goods for (i) strengthening national and regional inter-sectoral coordination mechanisms for HIV/AIDS control, including establishing the RPSC; (ii) reviewing and revising the Benefiting Countries' legislation affecting vulnerable groups of population; (iii) advocating and communicating about HIV/AIDS; (iv) adoption of standardized approaches to diagnosis and treatment of HIV/AIDS and STIs; and (v) facilitating procurement of pharmaceuticals and other health commodities.
2. Strengthening of surveillance and regional monitoring and evaluation systems through provision of (i) technical assistance and training to improve data collection, analysis, and reporting practices; and (ii) laboratory equipment and supplies, communication and transportation, surveillance, monitoring and evaluation equipment.
3. Building capacity of public agencies, NGO's and private sector engaged on HIV/AIDS control, including: (i) sharing of experiences at the regional level among organizations with significant practical experience in working with high-risk groups; (ii) development of skills-based training programs and materials that would promote practical skills, facilitate rapid applications in direct practice, and transfer of cutting-edge technologies in working with risk groups; and (iii) development of a critical cadre of trainers that could provide on-job skills-based training.

Part B. Central Asia Regional AIDS Fund

Provision of Subgrants to finance initiatives aimed at containing the HIV/AIDS epidemics and STIs in the Benefiting Countries.

Part C. Project Management, Monitoring and Evaluation

Strengthening the RPMU's capacity for the Project management, monitoring and evaluation, including audit, procurement, disbursement and financial management activities, through provision of technical assistance, training and office equipment and financing of operating costs.

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The Project is expected to be completed by June 30, 2010.

### **SCHEDULE 3**

#### **Procurement**

##### Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

##### Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Benefiting Countries.

##### B. Other Procurement Procedures

1. Shopping. Goods estimated to cost less than \$100,000 equivalent per contract and works estimated to cost less than \$50,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

2. Community Participation. Goods, works and services required for Subprojects under Part B of the Project may be procured on the basis of community participation in accordance with the procedures set forth in the POM.



Section III. Particular Methods of Procurement of Consultants' Services

1. Quality- and Cost-based Selection. Consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$200,000 equivalent per contract may comprise entirely national consultants.
2. Quality-based Selection. Services for assignments which the Association agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of Quality-based Selection in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.
3. Selection Under a Fixed Budget. Services for assignments which the Association agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.
4. Least-cost Selection. Services for assignments which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.
5. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.
6. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

Section IV. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

## **SCHEDULE 4**

### **Implementation Program**

#### Part A. Project Management

1. The Recipient, under the supervision of the RPSC, shall carry out the Project in accordance with the provisions of the POM and shall not amend, suspend, abrogate, repeal or waive any provision of the POM without prior approval of the Association.

2. (a) The RPSC shall comprise the high-level representatives of the Benefiting Countries of no less than the Deputy Prime Minister level and a representative of UNAIDS. The Chair of the RPSC shall rotate annually among the representatives of the Benefiting Countries, and it shall meet twice a year in the context of regular CACO meetings. The RPSC shall act as the steering committee of the Project and in this capacity it shall carry out such functions as the POM may prescribe. Its principal responsibilities shall be to: (i) ensure adequate policy and strategy support for the Project; (ii) approve annual work plan; (iii) approve grant proposals for grants of more that \$20,000 equivalent; and (iv) monitor and evaluate HIV/AIDS control and the Project implementation

(b) In addition, the RPSC shall: (i) lead and oversee the strategic direction of the Project implementation; (ii) address complex issues that may arise during the Project implementation and cannot be resolved at the individual Benefiting Country level; (iii) act as a policy discussion forum to reflect the views and concerns of the Benefiting Countries regarding policy development, and regulatory harmonization for HIV/AIDS control; (iv) establish technical working groups for the Project; and (v) collaborate closely with the RPMU.

3. Technical working groups of the composition and terms of reference satisfactory to the Association shall assist in the implementation of the Project, including preparation of the terms of reference and expert assessment of subproject applications to the Regional AIDS Fund and technical specifications for goods to be procured under the Project.

4. The Recipient shall maintain the RPMU located in Almaty, Republic of Kazakhstan, until completion of the Project with staff, resources and terms of reference satisfactory to the Association, and shall assign to the RPMU the responsibility for overall Project management, monitoring and evaluation, including:

(a) preparation of withdrawal applications under the Grant;

(b) management of the Special Account and Advance Accounts referred to in Sections 2.02 (b) and 2.02 (c) of this Agreement, respectively;

(c) maintenance of records and accounts related to the Project and arranging for the audit thereof;

(d) preparation of procurement documents under the Project;

(e) preparation of quarterly progress reports and submission thereof to the Recipient, the Benefiting Countries and the Association not later than 45 days after the end of each quarter, the first such report to be furnished to the Association not later than 45 days after the end of the first full calendar quarter after the effectiveness of this Agreement;

(f) information dissemination and public relations; and

(g) Project coordination activities.

#### Part B. Regional AIDS Fund (RAF)

The Recipient shall establish and maintain a demand-driven RAF, in accordance with the requirements of the POM, to finance subprojects. RAF resources shall consist of grant contributions from the Benefiting Countries, the proceeds of the Grant under this Agreement, DFID, contributions from other sources approved by the Benefiting Countries and the Association and resources that may accrue to the RAF. For subprojects, grant financing shall be made available to the entities that shall be eligible to receive such grant financing in accordance with the criteria set forth in the POM.

#### Part C. Training

The Recipient shall institute a regional training program, satisfactory to the Association, under the Project for the training, *inter alia*, of NGO's and social workers working in harm reduction and other outreach programs; health staff working on HIV/AIDS programs; prison and drug control agencies staff; staff from the Ministries of Health, Justice, Defense, Transport, and Border Control, and decision and opinion makers. The Recipient shall identify suitable training institutions which will serve as the locations for the training under the Project. In addition, the Recipient shall establish a regional resource network under the Project to develop a self-accreditation for HIV prevention work and organizations in the public and NGO sectors.

#### Part D. Monitoring and Evaluation.

The Recipient shall:

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

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about December 31, 2007, 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 February 28, 2008, 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.

## **SCHEDULE 5**

### **Special Account**

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, works, services and Sub-grants required for the Project and to be financed out of the proceeds of the Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
  - (c) the term “Authorized Allocation” means an amount equivalent to \$2,000,000 to be withdrawn from the Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$1,000,000 until the aggregate amount of withdrawals from 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 6,000,000.
2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
  - (a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account such amount or amounts as the Recipient shall have requested.
  - (b) (i) For replenishment of the Special Account, the Recipient shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

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

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

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

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

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

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

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

Thereafter, withdrawal from the Grant Account of the remaining unwithdrawn amount of the Grant allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the 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 the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Recipient shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the 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 the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Recipient shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

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

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Grant Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

## **SCHEDULE 6**

### **Modifications to the General Conditions**

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

1. Sections 3.02, 3.03, 3.04 (a), 3.04 (b), 6.05 and Article VII are deleted in their entirety.
2. Wherever used in the General Conditions, the following terms are modified to read as follows:
  - (a) The term “Borrower” is modified to read “Recipient”.
  - (b) The term “Credit” is modified to read “Grant”.
  - (c) The term “Credit Account” is modified to read “Grant Account”.
  - (d) The term “Development Credit Agreement” is modified to read “Development Grant Agreement”.
3. Section 1.01 is modified to read as follows:

*“Section 1.01. Application of General Conditions*

These General Conditions set forth the terms and conditions generally applicable to the Development Grant Agreement to the extent and subject to any modifications set forth in such agreement.”
4. Paragraph 3 of Section 2.01 is modified to read as follows:

“3. “Recipient” means the party to the Development Grant Agreement to which the Grant is made.”
5. Article III is modified as follows:
  - (a) The heading of Article III is modified to read “Grant Account; Partial Payment”, and the heading of Section 3.04 is modified to read “Partial Payment”.



- (b) The words “The principal of, and service charges on, the Credit” in Section 3.05 are modified to read “All amounts required to be paid under the Development Grant Agreement”.

6. Article IV is modified as follows:

- (a) Section 4.02 (a) is modified to read as follows:

“Section 4.02. *Currencies in which Payments are to be Made*

(a) The Recipient shall pay all amounts required to be paid by it under the Development Grant Agreement in the currency specified in such agreement or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to paragraph (c) or (e) of this Section.”

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

- (c) Section 4.03 is modified to read as follows:

“Section 4.03. *Amount of the Grant*

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

- (d) Section 4.06 (b) is modified to read as follows:

“(b) All amounts which the Recipient shall be required to pay under the Development Grant Agreement shall be paid without restrictions of any kind imposed by, or in the territory of, the Recipient.”

7. Article VI is modified as follows:

- (a) The word “credit” in paragraphs (a) (ii) and (c) (i) of Section 6.02 is replaced with the words “credit, grant or financing”.
- (b) Section 6.03 (c) is modified by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

8. Section 8.01(a) is modified to read as follows:

“(a) All amounts which the Recipient shall be required to pay under the Development Grant Agreement shall be paid without deduction for, and free from, any taxes levied by, or in the territory of, the Recipient.”

9. Section 12.05 and its heading are modified to read as follows:

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

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