Development Grant Agreement

(HIV and AIDS Capacity Building and Technical Assistance Project)

between

KINGDOM OF LESOTHO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 5, 2004
DEVELOPMENT GRANT AGREEMENT

AGREEMENT, dated August 5, 2004, between KINGDOM OF LESOTHO (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Association has received on May 11, 2004 from the Recipient a “National HIV/AIDS Strategic Plan and the National AIDS Policy” dated October 2000, containing details of the design and content of the Recipient’s national multi-sectoral strategy to fight the HIV/AIDS epidemic (the said document being hereinafter referred to as the “Program”) and declaring the Recipient’s commitment to the execution of the Program;

(C) the Recipient has received from the Global Fund to Fight AIDS, Tuberculosis and Malaria (the Global Fund) a commitment in an amount of US$34 million to assist in financing part of the Program, of which a grant in the amount of US$12.5 million (the Global Fund Grant) has been granted to the Recipient on the terms and conditions set forth in an agreement entered into between the Recipient and the Global Fund dated October 10, 2003 (the Global Fund Grant Agreement); and

(D) 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 7 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 Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “AIDS” means Acquired Immunodeficiency Syndrome;

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

(c) “GFCT” means the Global Fund Coordination Team established within the MFDP, and further referred to in paragraph 3 of Schedule 4 to this Agreement;

(d) “HIV” means Human Immunodeficiency Virus;

(e) “HIV/AIDS Directorate” means the HIV/AIDS Directorate established within the MOHSW, and further referred to in paragraph 3 of Schedule 4 to this Agreement;

(f) “HIV/AIDS Sub-projects” means HIV/AIDS sub-projects financed through the Global Fund Grant, and further referred to in Schedule 6 of this Agreement;

(g) “LAPCA” means the Lesotho AIDS Programme Coordinating Authority established pursuant to the provisions of Memorandum No. C3 (2000/5) 180 of the Recipient, dated November 6, 2000 and further referred to in Section 5.01 (b) of this Agreement and in Schedule 4 to this Agreement;

(h) “MFDP” means the Recipient’s Ministry of Finance and Development Planning;

(i) “MOHSW” means the Recipient’s Ministry of Health and Social Welfare;

(j) “NDSO” means the National Drugs and Supplies Organization, established and operating pursuant to Circular Notice No. 1 dated January 20, 1981 of the Recipient;

(k) “Procurement Plan” means the Recipient’s procurement plan, dated April 30, 2004, 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 of this Agreement, to cover succeeding 18 month-period (or longer) of Project implementation;

(l) “PAU” means the Project Accounting Unit established within MOHSW and further referred to in Schedule 4 to this Agreement;

(m) “PU” means the Procurement Unit established within MOHSW and further referred to in Schedule 4 to this Agreement; and

(n) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement.

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 three million five hundred thousand Special Drawing Rights (SDR 3,500,000).

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 expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for carrying out the Project and to be financed out of the proceeds of the Grant.

(b) The Recipient may, for the purposes of the Project, open and maintain in Dollars a special deposit account in a commercial bank acceptable to the Association 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.

Section 2.03. (a) The Recipient shall pay to the Association a commitment charge on the principal amount of the Grant not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

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

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Recipient; and (iii) in the currency specified in this Agreement 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 2.04. Commitment charges shall be payable semiannually on April 1, and October 1 in each year.

Section 2.05. The Closing Date shall be December 31, 2008, or such later date as the Association shall establish. The Association shall promptly notify the Recipient of such date.

Section 2.06. 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 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 with due diligence and efficiency and in conformity with appropriate administrative, financial, and public health practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be governed by the provisions of Schedule 3 to this Agreement, as the said provisions may be further elaborated in the Procurement Plan.
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 future achievement of the operation of the Project; and

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall maintain, or cause to be maintained, a financial management system, including records and accounts, and prepare financial statements according to financial and 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 records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year (or other period determined by the Association) audited, in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year (or such other period determined by the Association), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period determined by the Association), as so audited, and (B) an opinion on such statements, records and accounts, and 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 such records, accounts and financial statements and the audit
thereof, and concerning said auditors, as the Association shall 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 two years after the Association has received the audit report for the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(ii) enable the Association’s representatives to examine such records; and

(iii) ensure that such reports and statement of expenditure are included in the audit for each fiscal year (or other period determined 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 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 the 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 the said report, and explains variances between the actual and planned Project implementation targets; and

(iii) sets forth the status of procurement under the Project, as at the end of the period covered by the said report.

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

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified:

(a) a situation shall have arisen which shall make it improbable that the Program or the Project or a significant part thereof will be carried out;

(b) Memorando No. C3 (2000/5) 180, dated November 6, 2000 of the Recipient, establishing LAPCA, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the implementation of the Project; and

(c) the right of the Recipient to withdraw the proceeds of the Global Fund Grant made to the Recipient for the financing of its HIV and AIDS programs shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the Global Fund Grant Agreement.

ARTICLE VI

Effectiveness; Termination

Section 6.01. The following event is specified as condition to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that the Recipient has appointed the Head of LAPCA in accordance with the provisions of paragraph 2 of Schedule 4 to this Agreement.

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

ARTICLE VII

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

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

For the Recipient:

Ministry of Finance and Development Planning
P.O. Box 395
Maseru, 100
Lesotho

Cable address: FINMIN
Facsimile: 266 22 310 157

For the Association:

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

Cable address: INDEVAS
Telex: 248423 (MCI)
Facsimile: (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.

KINGDOM OF LESOTHO

By /s/ Molelekeng Rapolaki
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo
Authorized Representative
SCHEDULE 1

Withdrawal of the Proceeds of the Grant

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (Expressed in SDR Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Civil works</td>
<td>350,000</td>
<td>100% of foreign expenditures and 90% of local expenditures</td>
</tr>
<tr>
<td>(2) Consultants’ services, including audit and training</td>
<td>2,700,000</td>
<td>100% of foreign expenditures and 90% of local expenditures 100% for training expenditures</td>
</tr>
<tr>
<td>(3) Goods</td>
<td>210,000</td>
<td>100% of foreign expenditures and 90% of local expenditures</td>
</tr>
<tr>
<td>(4) Operating costs</td>
<td>70,000</td>
<td>90%</td>
</tr>
<tr>
<td>(5) Unallocated</td>
<td>170,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>3,500,000</td>
<td></td>
</tr>
</tbody>
</table>
2. For the purposes of this Schedule, the term:

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

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

(c) “training expenditures” means expenditures incurred on scholarships, purchase of training materials, rental of training facilities, health insurance for travel abroad, per diem and travel costs related to the Project; and

(d) “operating costs” means expenditures incurred on account of Project implementation, management and monitoring, including office consumables (such as communication expenses, tickets and subsistence costs for travel related to the Project, office rental, office supplies and maintenance, and fuel and maintenance for vehicles and equipment, but excluding salaries of the Recipient’s civil servants.

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 except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 100,000 may be made on account of payments made for expenditures in respect of Category (2) before that date but after April 30, 2004.

4. The Association may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than $150,000 equivalent per contract; (b) works costing less than $200,000 equivalent per contract; (c) services of individual consultants costing less than $50,000 equivalent per contract; (d) services of consulting firms under contracts costing less than $100,000 equivalent per contract; (e) training; and (f) operation costs, all under such terms and conditions as the Association shall specify by notice to the Recipient.
SCHEDULE 2

Description of the Project

The objective of the Project is to increase the Recipient’s capacity to use effectively the resources provided through the Global Fund Grant to support the implementation of HIV and AIDS programs within the Recipient’s territory.

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: Strengthening MFDP’s Capacity for Overall Management of External Grant Funding for HIV and AIDS Programs

1. Enhancing MFDP’s capacity to enable it to discharge adequately fiduciary responsibilities vested in MFDP regarding the use of external resources granted to the Recipient to support implementation of HIV and AIDS programs within the Recipient’s territory.

2. Carrying out training activities, including workshops and seminars aimed at enhancing technical expertise within MFDP for management of external financial resources granted to support the implementation of HIV and AIDS programs in the Recipient’s territory.

3. Technical advisory services, equipment, acquisition of computers and related software, materials and supplies for the carrying out of the activities referred to in paragraphs 1 and 2 above.

Part B: Strengthening MOHSW’s Capacity for Adequate Implementation of HIV and AIDS Programs

1. Acquisition of technical advisory services to be deployed within the following MOHSW’s units: (a) the HIV/AIDS Directorate; (b) the Monitoring and Evaluation Unit; (c) the Procurement Unit; and (d) the Project Accounting Unit.

2. Enhancing the capacity of MOHSW to: (a) design and implement effective strategies aimed at changing behavior related to HIV and AIDS; (b) oversee the performance and security of drug inventory management systems within the Recipient’s territory; and (c) establish efficient logistics systems for adequate provision of laboratory services within the Recipient’s territory.
3. (a) Enhancing NDSO’s capacity to procure and distribute adequately and efficiently all required drugs and other relevant goods needed to sustain performance in the health sector; and (b) expansion of NDSO’s warehousing facilities.

4. Acquisition of equipment, computers and related software, materials and supplies for the carrying out of the activities referred to in paragraphs 1, 2 and 3 above.

Part C: Strengthening LAPCA’s Capacity for Adequate Coordination, Monitoring and Evaluation of National HIV and AIDS Programs

Technical advisory services required to:

1. strengthen LAPCA’s capacity to evaluate HIV and AIDS programs submitted through LAPCA for financial support to be provided by the Recipient;

2. strengthen capacity for District AIDS Task Forces to monitor implementation of HIV and AIDS activities supported with external funding and being implemented by civil society organizations;

3. increase capacity to: (a) monitor and evaluate HIV and AIDS activities being implemented at the district and sub-district levels and at the community level; and (b) design and implement effective strategies aimed at changing behavior related to HIV and AIDS; and

4. support technical ministries and other relevant public sector agencies to develop and implement activities aimed at combating the spread of HIV and AIDS within the Recipient’s territory.

Part D: Strengthening Involvement of Civil Society and Private Sector Entities in Combating the Spread of HIV and AIDS.

1. Formulation and implementation of programs designed to spur the involvement of civil society organizations and private sector entities established within the Recipient’s territory in the fight against the spread of HIV and AIDS in an adequate and sustainable manner.
2. Establishment of an adequate coordination mechanism to monitor implementation of the programs referred to in paragraph 1 above.

* * *

The Project is expected to be completed by June 30, 2008.
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 for Procurement under IBRD Loans and IDA Credits” dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule. If the Recipient employs any procurement or inspection agents, it shall ensure that the requirements of Section 3.10 and 3.11 of the Procurement Guidelines are met.

B. All consultants’ services shall be procured in accordance with Section I, paragraphs 3.15 through 3.20, and Section IV of, and Appendix 2 to, the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

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

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of international competitive bidding in accordance with the provisions of Section II and paragraphs 3.14 and 3.15 of the Procurement Guidelines, and the following additional procedures:

   Domestic Preference. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines and Appendix 2 thereto, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Recipient and works to be carried out by domestic contractors.

B. Other Procurement Procedures

1. Limited International Bidding. Goods which the Association agrees can only be purchased from a limited number of suppliers, regardless of the cost thereof, may be procured under contracts awarded on the basis of limited international bidding in accordance with the provisions of paragraphs 3.1 and 3.2 of the Procurement Guidelines.
2. **National Competitive Bidding.** Goods estimated to cost less than $150,000 equivalent per contract and works estimated to cost less than $200,000 equivalent per contract, may be procured under contracts awarded on the basis of national competitive bidding in accordance with the provisions of paragraphs 3.1, 3.3, 3.4, 3.14 and 3.15 of the Procurement Guidelines.

3. **Shopping.** Goods and works estimated to cost less than $30,000 equivalent per contract, may be procured under contracts awarded on the basis of shopping procedures in accordance with the provisions of paragraphs 3.1 and 3.5 of the Guidelines.

4. **Direct Contracting.** Goods and works which meet the requirements for direct contracting referred to in paragraphs 3.1, 3.6 and 3.7 of the Procurement Guidelines may, with the Association’s prior agreement, be procured in accordance with the provisions of the said paragraphs.

**Section III. Particular Methods of Procurement of Consultants’ Services**

A. **Quality- and Cost-based Selection**

Except as otherwise provided in Part B of this Section, consultants’ services shall be procured under contracts awarded on the basis of quality and cost in accordance with the provisions of Section II of the Consultant Guidelines and the following provision: for purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than $100,000 equivalent per contract may comprise entirely national consultants.

B. **Other Procedures**

1. **Quality-based Selection.** Services for assignments, which meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines, may be procured under contracts awarded on the basis of quality in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. **Selection Under a Fixed Budget.** Services for assignments, which meet the requirements set forth in paragraph 3.1 and 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.

3. **Least-cost Selection.** Services for assignments, which meet the requirements set forth in paragraph 3.1 and 3.6 of the Consultant Guidelines, may be procured under
contracts awarded on the basis of lowest cost in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

4. **Selection Based on Consultants’ Qualifications.** Services estimated to cost less than $100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

5. **Single Source Selection.** Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for single source selection, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 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 in accordance with the provisions of the said paragraph 5.4, subject to prior approval of the Association.

### Section IV. Review by the Association of Procurement Decisions

#### A. Prior Review

Except as the Association shall otherwise determine by notice to the Recipient, the following prior review procedures shall apply:

1. **Goods, Works and Services (other than Consultants’ Services)**

   (a) The prior review procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Procurement Guidelines shall apply to each contract for goods, and services (other than consultants’ services) estimated to cost $150,000 and for works estimated to cost the equivalent of $200,000 or more procured on the basis of international competitive bidding, limited international bidding or national competitive bidding.

   (b) The following prior review procedures shall apply to each contract to be procured on the basis of direct contracting: (i) prior to the execution of the contract, the Recipient shall provide to the Association a copy of the specifications and the draft contract for its approval; (ii) the contract shall be awarded only after the Association’s
approval shall have been given; and (iii) the procedures set forth in paragraphs 2 (h) and 3 of Appendix 1 to the Guidelines shall apply.

2. **Consultants’ Services Provided by Firms**

   (a) The prior review procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply to each contract for consultants’ services provided by a firm estimated to cost the equivalent of $100,000 or more.

   (b) The following prior review procedures shall apply to each contract for consultants’ services provided by a firm to be procured on the basis of single source selection: (i) the qualifications, experience, terms of reference and conditions of employment of the consultants shall be furnished to the Association for its prior review and approval; (ii) the contract shall be awarded only after the Association’s approval shall have been given; and (iii) the provisions of paragraphs 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply to the contract.

3. **Consultants’ Services Provided by Individual Consultants.**

   (a) The following prior review procedures shall apply to each contract for the employment of individual consultants (other than consultants to be selected on a sole source basis) estimated to cost the equivalent of $50,000 or more: (i) the report on the comparison of the qualifications and experience of candidates, terms of reference and conditions of employment of the consultant shall be furnished to the Association for its prior review and approval; (ii) the contract shall be awarded only after the Association’s approval shall have been given; and (iii) the provisions of paragraph 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply to the contract.

   (b) The following prior review procedures shall apply to each contract for the employment of individual consultants to be selected on a sole source basis: (i) the qualifications, experience, terms of reference and conditions of employment of the consultants shall be furnished to the Association for its prior review and approval; (ii) the contract shall be awarded only after the Association’s approval shall have been given; and (iii) the provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall apply to the contract.
B. Post Review

1. With respect to each contract for goods, works or services (other than consultants’ services) not governed by Part A of this Section, the post review procedures set forth in paragraph 5 of Appendix 1 to the Procurement Guidelines shall apply.

2. With respect to each contract for consultants’ services not governed by Part A of this Section, the post review procedures set forth in paragraph 5 of Appendix 1 to the Consultant Guidelines shall apply.
SCHEDULE 4

Implementation Program

I. General

The Recipient shall carry out the Project in accordance with the provisions of this Schedule 4. To this end, the Recipient shall:

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

2. appoint and thereafter maintain throughout the duration of the Project, the Head of LAPCA with qualifications and experience satisfactory to the Association;

3. ensure that LAPCA, GFCT, the HIV/AIDS Directorate, the PAU, and the PU are:
   (a) entrusted with functions and responsibilities satisfactory to the Association; and
   (b) endowed with staff in adequate numbers whose qualifications and experience shall be at all times satisfactory to the Association; and

4. produce the reports referred to in paragraph 4 of Schedule 6 to this Agreement and disseminate the same as warranted for the years 2007 and 2008.

II. Midterm Review

5. The Recipient shall: (a) no later than June 30, 2006, or such other date as the Recipient and the Association shall agree upon, carry out with the Association, a midterm review (the Midterm Review). The Midterm Review shall cover, among other things, an assessment of: (i) work programs prepared as of the date of the Midterm Review and the progress made in carrying out the said programs, (ii) training provided under the Project, (iii) procurement under the Project, (iv) the extent to which actions described in the agreed indicators have been carried out, and (v) plans made or proposed for updating the said indicators.

   (b) No later than one month prior to the Midterm Review, the Recipient shall furnish to the Association, for its review and comments, a report, in such detail as the Association shall reasonably request, on the implementation of the Project in preparation of the said Midterm Review.
(c) Following such Midterm Review, the Recipient shall act promptly and
diligently in order to take any corrective action deemed necessary by the Association to
remedy any shortcomings noted in the implementation of the Project, or to implement such
other measures as may have been agreed upon between the Recipient and the Association.
SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories (1) through (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

(b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the 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 $500,000 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 $250,000 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 500,000.

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 the 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 the 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 for the Special Account, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General
Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

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

Performance Indicators

For the purpose of this Agreement, the performance indicators to be used to monitor the Project implementation are as follows:

1. 80% of the Global Fund grant has been disbursed by the end of the Project.

2. 30% of the Global Fund grant has been disbursed through civil society organizations.

3. 50% of HIV/AIDS sub-projects financed through the Global Fund Grant, have been implemented in a satisfactory manner.

4. Annual reports on all key HIV and AIDS program indicators are produced and disseminated.
SCHEDULE 7

Modifications to the General Conditions

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

1. Sections 3.02, 3.03, 3.04 (a), 3.04 (b), 3.05, 6.05, 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” is modified to read “grant”; except that where used in Sections 6.02 (a) (ii) and 6.02 (c) (i), as modified below, the term “credit” shall continue to read “credit”.

   (d) The term “Credit Account” is modified to read “Grant Account”.

   (e) The term “Development Credit Agreement” is modified to read “Development Grant Agreement”.

3. Article IV is modified as follows:

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

   “Section 4.02 Currencies in which Commitment Charges are Payable

   (i) The Recipient shall pay the commitment charge on the Grant in the currency specified in the Development Grant Agreement or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to paragraph (c) or (e) of this Section.”
(ii) Wherever used in Section 4.02 (c) and (e) of the General Conditions the words “principal and service charges” are modified to read “commitment charge”.

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

“Section 4.03. Amount of the Grant

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

4. Section 6.02 is modified as follows:

(a) The phrase “any other development credit agreement” in Section 6.02 (a) (ii) is modified to read: “any other development grant agreement or any development credit agreement or development financing agreement”.

(b) The phrase “any development credit agreement” in Section 6.02 (c) (i) is modified to read: “any development grant agreement, development credit agreement or development financing agreement”.

5. The words “The principal of, and any other charges on” in paragraph (a) of Section 8.01 are modified to read “The commitment charge on”.

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

“Section 12.05. Termination of Development Grant Agreement.

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