Loan Agreement

(HIV/AIDS Prevention and Control Project)

between

ST. VINCENT AND THE GRENADINES

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated August 17, 2004
AGREEMENT dated August 17, 2004 between ST. VINCENT AND THE GRENADINES (the Borrower) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Executive Directors of the Bank approved on June 2001 the Caribbean Multi-Country HIV/AIDS Prevention and Control Program (MAP) estimated to cost the amount of $155 million over a period of six years;

(B) the Borrower has prepared, approved and is implementing an HIV-AIDS strategic plan for the period from the start of year 2004 through the end of year 2009 (the Borrower’s National HIV/AIDS Program), which is consistent with the eligibility criteria for MAP, and which has as its main objective to reduce the risk and vulnerability to HIV infection through the prevention and control of sexual transmission, promotion of sexual health and improvement in the quality of life of persons living with opportunistic infections, HIV and AIDS;

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

(D) the Borrower has requested the International Development Association (the Association) to provide additional non-reimbursable financial assistance towards financing the Project and, by the development grant agreement of the same date herewith between the Borrower and the Association (the Development Grant Agreement), the Association is agreeing to provide such assistance in an aggregate amount equivalent to one million two hundred and fifty thousand Special Drawing Rights (SDR1,250,000) (the Grant);

(E) the Borrower has also requested the Association to provide additional financial assistance towards financing the Project and, by the development credit agreement of the same date herewith between the Borrower and the Association (the Development Credit Agreement), the Association is agreeing to provide such assistance in an aggregate principal amount equivalent to one million two hundred and fifty thousand Special Drawing Rights (SDR1,250,000) (the Credit); and

(F) the Borrower and the Bank intend, to the extent practicable, that the proceeds of the Grant provided for in the Grant Agreement be disbursed on account of expenditures for the Project before disbursements of the proceeds of the Credit are made,
and that the proceeds of the Credit be disbursed on account of expenditures for the Project before disbursements of the proceeds of the loan provided for in this Agreement (the Loan) are made; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan 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 Loan and Guarantee Agreements for Fixed-Spread Loans” of the Bank dated September 1, 1999 (as amended through May 1, 2004) (the General Conditions), constitute an integral part of this Agreement.

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

(a) “AIDS” means Acquired Immune Deficiency Syndrome;

(b) “Annual Work Plan” means any of the plans referred to in Section 3.05 of this Agreement;

(c) “EC Dollars” and “EC$” mean the lawful currency of the Borrower;

(d) “Eligible Civil Society Organization” means a non-governmental organization, community-based organization, faith-based organization, an entity in the private sector or a local organization (including local public entities and companies) that has been selected in accordance with the criteria set forth in the Operational Manual to carry out a Subproject under Part A of the Project;

(e) “Financial Monitoring Report” and “FMR” mean each report prepared in accordance with Section 4.02 of this Agreement;
(f) “HIV” means Human Immune-deficiency Virus;

(g) “HIV/AIDS High-risk Groups” means groups of population within the Borrower’s territory which are highly vulnerable to acquire the HIV virus, in particular commercial sex workers, patients living with STIs (as hereinafter defined), drug users, men having sex with men, and bisexuals;

(h) “Line Ministries” means the Borrower’s Ministries of Education, Youth, and Sports; Tourism and Culture, Social Development, and any other ministries of the Borrower which may be acceptable to the Bank in addition to, or in substitution of, those set forth above;

(i) “MFP&D” means the Borrower’s Ministry of Finance, Planning and Development or any successor thereto;

(j) “MOHE” means the Borrower’s Ministry of Health and the Environment or any successor thereto;

(k) “NAC” means the Borrower’s national HIV/AIDS council referred to in Section 3.09 of this Agreement;

(l) “NAS” means the Borrower’s National AIDS Secretariat referred to in Section 3.04 (a) (ii) of this Agreement;

(m) “National Biomedical Waste Management Plan” means the plan dated November 2002, duly adopted by the Borrower which sets out the environmental protection measures in respect to the Project, as such plan may be revised from time to time with the agreement of the Bank;

(n) “Operational Manual” means the manual referred to in Section 3.01(b) of this Agreement;

(o) “OECS” means the Organization of Eastern Caribbean States;

(p) “OECS/PPS” means the OECS Pharmaceutical Procurement Service, an agency within the OECS, specialized in the procurement of pharmaceuticals and medical supplies on behalf of the OECS members;

(q) “OECS/PPS Agreement” means the agreement referred to in Section 3.12 of this Agreement;
"PCU" means the project coordination unit maintained within the MFP&D, for the purposes referred to in Section 3.04 (a) of this Agreement;

"Procurement Plan" means the Borrower’s procurement plan dated May 21, 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 periods (or longer) of Project implementation;

"Project Account" means the account referred to in Section 3.03 of this Agreement;

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

"STI" means sexually transmitted infections;

"Subprojects" means a specific set of activities aimed at responding effectively to the HIV/AIDS pandemic, that has been approved by the Borrower to be carried out by an Eligible Civil Society Organization under Part A of the Project, and that is consistent with the list of approved activities included in the Operational Manual;

"Subproject Agreement" means any of the agreements referred to in Section 3.06 of this Agreement; and

"Supplemental Letter" means the letter of even date herewith from the Borrower to the Bank setting forth the monitoring and evaluation indicators for the Project.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount equal to three million five-hundred thousand Dollars ($3,500,000), as such amount may be converted from time to time through a currency conversion in accordance with the provisions of Section 2.09 of this Agreement.
Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of works, goods and services required for the Project and to be financed out of the proceeds of the Loan, and in respect of the fee referred to in Section 2.04 of this Agreement and the premia referred to in Section 2.09 (c) of this Agreement.

(b) The Borrower 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 Bank, including appropriate protection against set-off, seizure and 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. The Closing Date shall be June 30, 2009 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a fee in an amount equal to one percent (1%) of the amount of the Loan. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of said fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (i) eighty five one-hundredths of one per cent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to, but not including, the fourth anniversary of such date; and (ii) seventy five one-hundredths of one per cent (0.75%) per annum thereafter.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period at the Variable Rate; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and other charges shall be payable semiannually in arrears on February 15 and August 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 3 to this Agreement.
Section 2.09. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

(i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency;

(ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and

(iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Variable Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in Section 2.01(7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar in respect of which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04 (c) of the General Conditions up to the amount allocated from time to time for such purpose in the table in paragraph 1 of Schedule 1 to this Agreement.

Section 2.10. Without limitation upon the provisions of paragraph (a) of Section 2.09 of this Agreement and unless otherwise notified by the Borrower to the Bank in accordance with the provisions of the Conversion Guidelines, the interest rate basis applicable to the aggregate principal amount of the Loan withdrawn during each two consecutive Interest Periods shall be converted from the initial Variable Rate to a Fixed Rate for the full maturity of such amount in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objective of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project through MOHE, with the assistance of the PCU and NAS and with the participation of: (i) Line Ministries for purposes of Part B of the Project; and (ii) Eligible Civil Society Organizations pursuant to their respective Subproject Agreement for purposes of Part A of the Project, all with due diligence and efficiency and in conformity with appropriate health, technical, administrative, financial, educational, social and environmental standards and practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation to the provisions of paragraph (a) above, the Borrower shall carry out the Project in accordance with an operational manual (the Operational Manual), satisfactory to the Bank, containing detailed procedures for the implementation of the Project, including, inter alia:

(i) the organization, terms of reference and staffing of the PCU;

(ii) the roles and responsibilities of each agency/organization involved in the implementation of the Project and flow of funds arrangements when applicable;

(iii) the financial management procedures for the Project;

(iv) standard bidding documents and letters of invitation to consultants, including procedures and bidding documents to be used by OECS/PPS;

(v) mandatory safeguards and mitigation actions for the collection, disposal and treatment of medical waste, which safeguards and actions shall be applied to prevent or mitigate any possible negative environmental impact said disposal might otherwise cause as a result of Project implementation;

(vi) mandatory safeguards and mitigation actions for the construction, rehabilitation and expansion of health and counseling facilities, which safeguards and actions shall be applied to prevent or mitigate any possible negative
environmental impact said construction may otherwise cause, such as, in particular, increase in deforestation, pollution of groundwater, negative impacts on endangered species, increased soil erosion, and encroachment on natural habitats;

(vii) personal health and safety provisions for the handling and disposal of hazardous wastes;

(viii) guidelines for the preparation of Annual Work Plans;

(ix) the annual work plan for the first year of Project implementation; and

(x) details and procedures for Subprojects, including: (A) criteria for the selection of Eligible Civil Society Organizations; (B) activities that may be financed under Subprojects; and (C) Subproject cycle, detailed guidelines and formats for preparing Subproject proposals.

(c) Except as the Bank shall otherwise agree, the Borrower shall not amend, waive or fail to enforce the Operational Manual or any provision thereof. In case of any conflict between the provisions of this Agreement and those of the Operational Manual, the provisions of this Agreement shall prevail.

Section 3.02. (a) Except as the Bank 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 Loan shall be governed by the provisions of Schedule 4 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall update the Procurement Plan in accordance with terms of reference acceptable to the Bank, and furnish such update to the Bank not later than 12 months after the date of the preceding Procurement Plan, for the Bank’s approval.

Section 3.03. Without limitation to the provisions of Section 3.01 above, the Borrower shall make available an amount in EC Dollars equivalent to one million seven hundred and fifty thousand Dollars ($1,750,000) as counterpart funds for the Project. To that effect, the Borrower shall establish and thereafter maintain, until the completion of the Project, an account (the Project Account) in a commercial bank, on terms and conditions acceptable to the Bank, with an initial deposit of a hundred and fifty thousand Dollars ($150,000) equivalent made on or prior to the Effective Date, and a second deposit of two hundred and fifty thousand Dollars ($250,000) equivalent made on or prior to January 31, 2005.
Section 3.04. (a) The Borrower shall maintain, during implementation of the Project:

(i) a Project coordination unit (the PCU) within the MFP&D, with functions, staff and responsibilities satisfactory to the Bank, for the purposes of: (A) processing of documentation required for disbursement of the Loan, Credit and Grant proceeds (including disbursement to Eligible Civil Society Organizations for Subprojects); (B) the procurement of goods, works and services under the Project; and (C) preparation and maintenance of the records, accounts and financial statements referred to in Article IV of this Agreement; and

(ii) a National AIDS Secretariat (the NAS), with functions, staff and responsibilities satisfactory to the Bank, for the purposes of: (A) coordination and implementation of the Project; (B) monitoring and evaluation of the Project; and (C) preparation of Annual Work Plans.

(b) The Borrower shall:

(i) ensure that the PCU is at all times staffed with at least a Project manager, a procurement officer and a financial manager; and

(ii) ensure that both the PCU and the NAS are provided with adequate facilities, satisfactory to the Bank, to carry out their responsibilities.

Section 3.05. The Borrower, through MOHE, shall:

(a) not later than September 30 of each year during Project implementation, starting in year 2004, furnish to the Bank for its approval an annual work plan (the Annual Work Plan), each said plan to include, inter alia, (i) the Project activities to be carried out by the Borrower during the calendar year following the presentation of each said plan (including activities carried out by the MOHE and activities carried out with the participation of Line Ministries under Part B of the Project); (ii) the Procurement Plan and disbursement plan for said Project activities; and (iii) a budget line for Subprojects under Part A of the Project; and

(b) thereafter implement each said Annual Work Plan in accordance with its terms.
Section 3.06. (a) For purposes of carrying out Part A of the Project, the Borrower shall enter into an agreement with each Eligible Civil Society Organization selected to participate in the Project (a Subproject Agreement), under terms and conditions satisfactory to the Bank, which shall include, *inter alia*: (i) the obligation of the respective Eligible Civil Society Organization to carry out the approved Subproject in accordance with the terms of this Agreement (including the procurement provisions in Schedule 4 to this Agreement) and the Operational Manual; and (ii) the obligation of the Borrower to provide the resources needed by the Eligible Civil Society Organization to carry out the approved Subproject.

(b) The Borrower shall exercise its rights and comply with its obligations under each Subproject Agreement in such a manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, waive or fail to enforce such agreement or any provision thereof.

Section 3.07. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

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

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

Section 3.08. Without limitation on the provisions of Section 9.01 of the General Conditions, 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 the Supplemental Letter, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, not later than six months after the Effective Date and annually thereafter during the period of Project implementation, 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 Bank not later than two months after the date of such report, or such later date as the Bank shall request, each 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 Bank’s views on the matter.

Section 3.09. The Borrower shall appoint and maintain, during Project implementation, the National Aids Council (the NAC) for purposes of: (a) advising the Borrower on HIV/AIDS policy; and (b) providing guidance in the coordination and implementation of the Project.

Section 3.10. For purposes of carrying out Part A of the Project, the Borrower shall appoint and maintain, during Project implementation, a committee with adequate representation from civil society, Line Ministries and MOHE to review and approve applications from Eligible Civil Society Organizations to carry out Subprojects.

Section 3.11. Without limitation to the Borrower’s obligations in Section 3.01 of this Agreement, the Borrower shall carry out the Project in accordance with the terms of the National Biomedical Waste Management Plan, in accordance with its terms.

Section 3.12. (a) the Borrower shall maintain the existing agreement with OECS/PPS for the purchase of drugs, condoms and other pharmaceuticals in a manner satisfactory to the Bank (the OECS/PPS Agreement). Such agreement shall specify that: (i) the Borrower will authorize OECS/PPS to undertake, on behalf of the Borrower, and the OECS/PPS will so undertake, the procurement of drugs (including anti-retroviral drugs), condoms and other pharmaceuticals under the Project, in accordance with the procedures set forth or referred to in this Agreement; (ii) the OECS/PPS will undertake to keep separate records and accounts in respect of such drugs, condoms and pharmaceuticals; (iii) the Borrower may transfer directly to the OECS/PPS the proceeds of the Loan, Grant and Credit as required for the OECS/PPS to effect the payments for drugs, condoms and pharmaceuticals under the Project; (iv) the Borrower will undertake to transfer to the OECS/PPS the counterpart (i.e., non-Loan, non-Grant or non-Credit funds) as required for the OECS/PPS to effect the payment of such drugs, condoms and pharmaceuticals; and (v) the OECS/PPS will provide the Borrower in a timely manner with whatever information the Borrower needs to comply with its obligations under Article IV of this Agreement pertaining to Project funds handled by the OECS/PPS.

(b) The Borrower shall exercise its rights and comply with its obligations under the OECS/PPS Agreement in such manner as to protect the interests of the
Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, waive or fail to enforce such agreement or any provision thereof.

ARTICLE IV

Financial Covenants

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

(b) The Borrower 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 Bank), audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than four months after the end of each such year (or such other period agreed to by the Bank): (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 Bank), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and

(iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.

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

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

(ii) enable the Bank’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 Bank), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower’s progress reporting obligations set out in Section 3.08 (b) of this Agreement, the Borrower shall prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, 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 Loan, 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 Bank 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 Bank not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (c) of the General Conditions:
(a) the Project Account has been opened and an initial amount in EC Dollars of at least one hundred and fifty thousand Dollars equivalent ($150,000) has been deposited therein;

(b) the Operational Manual has been approved by the Bank and adopted by the Borrower;

(c) the Annual Work Plan for the first year of the Project has been approved by the Bank;

(d) the auditors referred to in Section 4.01 (b) (i) of this Agreement have been appointed; and

(e) all conditions precedent to the effectiveness of the Development Credit Agreement and the Development Grant Agreement, other than those relating to the effectiveness of this Agreement, have been fulfilled.

Section 5.02. The date November 15, 2004 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of Finance, Planning and Development of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance, Planning and Development
P.O. Box 608, Kingstown
St. Vincent and the Grenadines

Facsimile:

(784) 456-2430
For the Bank:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address: INTBAFRAD
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: (202) 477-6391
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

ST. VINCENT AND THE GRENADINES

By /s/ Ellsworth John
Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By /s/ Badrul Haque
Authorized Representative
**SCHEDULE 1**

**Withdrawal of the Proceeds of the Loan and Credit**

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

<table>
<thead>
<tr>
<th>Category Description</th>
<th>Amount of the Loan Allocated (Expressed in Dollars)</th>
<th>Amount of the Credit Allocated (Expressed in SDRs)</th>
<th>Amount of the Grant Allocated (Expressed in SDRs)</th>
<th>% of Expenditure to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works</td>
<td>245,000</td>
<td>85,000</td>
<td>85,000</td>
<td>70%</td>
</tr>
<tr>
<td>(2) Goods (except as covered under Categories (3), (6), and (7) below)</td>
<td>284,000</td>
<td>98,000</td>
<td>98,000</td>
<td>95% of foreign expenditures, 80% of local expenditures</td>
</tr>
<tr>
<td>(3) Pharmaceuticals (including anti-retroviral drugs, laboratory reagents and condoms)</td>
<td>667,000</td>
<td>230,000</td>
<td>230,000</td>
<td>95% until disbursements under this Category have reached an amount equivalent to SDR600,000 and 70% thereafter</td>
</tr>
<tr>
<td>(4) Consultant’s Services</td>
<td>1,225,000</td>
<td>422,000</td>
<td>422,000</td>
<td>100% of foreign expenditures, 70% of local expenditures</td>
</tr>
<tr>
<td>(5) Training</td>
<td>225,000</td>
<td>81,000</td>
<td>81,000</td>
<td>100% of Foreign expenditures, 80% of local expenditures</td>
</tr>
<tr>
<td>(6) Goods and Services required for Subprojects</td>
<td>632,000</td>
<td>248,000</td>
<td>248,000</td>
<td>100%</td>
</tr>
<tr>
<td>(7) Operating costs</td>
<td>147,000</td>
<td>51,000</td>
<td>51,000</td>
<td>40%</td>
</tr>
<tr>
<td>Category</td>
<td>Amount of the Loan Allocated (Expressed in Dollars)</td>
<td>Amount of the Credit Allocated (Expressed in SDRs)</td>
<td>Amount of the Grant Allocated (Expressed in SDRs)</td>
<td>% of Expenditure to be Financed</td>
</tr>
<tr>
<td>----------------------------------------------</td>
<td>---------------------------------------------------</td>
<td>---------------------------------------------------</td>
<td>---------------------------------------------------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td>(8) Premia for Interest Rate Caps and Interest Rate Collars</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
<td>Amount due under Section 2.09 (c) of this Agreement</td>
</tr>
<tr>
<td>(9) Fee</td>
<td>35,000</td>
<td>-0-</td>
<td>-0-</td>
<td>Amount due under Section 2.04 of this Agreement</td>
</tr>
<tr>
<td>(10) Unallocated</td>
<td>40,000</td>
<td>35,000</td>
<td>35,000</td>
<td></td>
</tr>
<tr>
<td>TOTALS</td>
<td>3,500,000</td>
<td>1,250,000</td>
<td>1,250,000</td>
<td></td>
</tr>
</tbody>
</table>

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; provided, however, that if the currency of the Borrower is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be “foreign expenditures”;

   (c) the term “training” means expenditures (other than those for consultants’ services) incurred by the Borrower to finance reasonable transportation cost and \textit{per diem} of trainees and rental of training facilities, equipment and materials for the carrying out of the Project training activities under its responsibility; and

   (d) the term “operating costs” means the reasonable cost of expenditures required for the operations of the PCU and other agencies of the Borrower involved in Project implementation such as consumable items and utilities, which would not have been incurred absent the Project.

3. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under such terms and conditions as the Bank shall specify by notice to the Borrower, for expenditures for: (a) goods, works
and services under contracts which are not subject to prior review under the Procurement Plan; (b) training; (c) operating costs; and (d) Subprojects.
SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in controlling the spread of the HIV/AIDS epidemic through: (a) the scaling up of programs for the prevention of HIV/AIDS, targeting in particular both HIV/AIDS High-risk Groups and the general population; (b) the scaling up of programs for the treatment and care of people living with HIV/AIDS; (c) the reduction of the degree of stigma and discrimination associated with HIV/AIDS; and (d) the strengthening of the institutional capacity of the MOHE, other related government agencies and civil society organizations to ensure the effectiveness and the sustainability of the Project.

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

**Part A:** Civil Society Organizations Initiatives

Supporting Eligible Civil Society Organizations to respond effectively to the HIV/AIDS epidemic through the financing of Subprojects.

**Part B:** Scaling Up HIV/AIDS Response by Line Ministries

Supporting Line Ministries to expand initiatives included in the Borrower’s National HIV/AIDS Program, including activities for the Line Ministries’ clients and their own staff, focusing on prevention of HIV/AIDS and STIs through training, education, counseling, behavior change communication, condom distribution, information dissemination, care for the infected and affected families, work place policy formulation (including reduction of stigma and discrimination) and HIV/AIDS impact assessments.

**Part C:** Strengthening the Health Sector Response to HIV/AIDS

1. Strengthening the technical and institutional capacity of health facilities in the Borrower’s territory, through the: (a) provision of specialized training to improve the diagnosis of opportunistic infections associated with HIV/AIDS; (b) provision of the necessary laboratory equipment and reagents to provide in-country capability for HIV testing; (c) provision of care, medical supplies and anti-retroviral therapy for patients
with HIV/AIDS; and (d) carrying out of a mother-to-child transmission preventive program.

2. Strengthening the capacity of the laboratories of the Borrower’s health facilities to ensure safety of its blood supplies from HIV and other blood borne diseases.

3. Carrying out a voluntary counseling and confidential HIV/AIDS testing program.

4. Providing technical assistance, specialized training for health workers, pharmaceuticals and laboratory equipment for the strengthening of the STI management program, throughout the Borrower’s network of health facilities.

5. Carrying out a national program to promote and distribute condoms among the Borrower’s population.

6. Designing and implementing information, educational, communication and behavioral change programs for purposes of raising awareness and understanding among the Borrower’s population with respect to HIV/AIDS transmission, and promoting safe sexual practices.

7. Supporting the Borrower to manage health care waste by training health workers on proper handling and disposal of medical waste.

8. Strengthening the Borrower’s health sector response to HIV/AIDS infections by: (a) developing and implementing standardized protocols and guidelines for HIV/AIDS care at all levels in the Borrower’s health system; and (b) strengthening the existing legal framework to prevent discrimination associated with HIV/AIDS, specially in the workplace.

**Part D: Strengthening the Institutional Capacity for Program Management**

1. Supporting the establishment and operation of NAC in the coordination of the Borrower’s National HIV/AIDS Program.

2. Strengthening of the institutional capacity of the NAS and the PCU in the management and monitoring of the Project.
3. Strengthening the institutional capacity of the MOHE and other related government agencies’ disease surveillance system (in particular the STI/HIV/AIDS subsystem), through: (a) the design of standardized protocols and systems for the collection and reporting of data, including data on population characteristics, in particular data on HIV/AIDS High-risk Groups; (b) the provision of the necessary training, equipment and supplies; and (c) the carrying out of research and studies on HIV/AIDS, including behavior surveys among key groups.

* * *

The Project is expected to be completed by December 31, 2008.
SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<table>
<thead>
<tr>
<th>Payment Date</th>
<th>(Expressed as a %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each February 15 and August 15</td>
<td></td>
</tr>
<tr>
<td>Beginning August 15, 2009 through August 15, 2020</td>
<td>4.17%</td>
</tr>
<tr>
<td>On February 15, 2021</td>
<td>4.09%</td>
</tr>
</tbody>
</table>

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

   (a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

   (b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.
3. (a) Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of subparagraph (a) of this paragraph 3, if at any time the Bank shall adopt a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such subparagraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.
SCHEDULE 4

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.

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.

C. The capitalized terms used below in this Schedule to describe particular procurement method or methods of review by the Bank of particular contracts, have the meaning 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. Except as otherwise provided in Part B of this Section, 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 Borrower.

B. Other Procurement Procedures

1. Limited International Bidding. Goods which the Bank agrees can only be purchased from a limited number of suppliers may be procured under contracts awarded on the basis of limited international bidding.

2. National Competitive Bidding. Goods estimated to cost less than $150,000 equivalent per contract and works estimated to cost less than $1,000,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding.
3. **Shopping.** Goods estimated to cost less than $25,000 equivalent per contract and works estimated to cost less than $150,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

4. **Direct Contracting.** Goods which the bank agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

5. **Procurement under Subprojects.** Goods and services needed under Subprojects shall be procured in accordance with procedures acceptable to the Bank as described in the Operational Manual and the Procurement Plan.

**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-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than $50,000 equivalent per contract may comprise entirely national consultants.

B. **Other Procedures**

1. **Selection Based on Consultants’ Qualifications.** Services estimated to cost less than $100,000 equivalent per contract may be procured under contracts awarded on the basis of Consultant’s Qualifications.

2. **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 Bank’s prior agreement, be procured in accordance with the provisions of said method.

3. **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. 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, subject to prior approval of the Bank.
Section IV. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank’s Prior Review, in accordance with Appendix 1 of the Procurement and Consultant Guidelines. All other contracts shall be subject to Post Review by the Bank.
SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

   (a) the term “eligible Categories” means Categories (1) through (7) 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 and services required for the Project and to be financed out of the proceeds of the Loan 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 the amount of $600,000 to be withdrawn from the Loan Account (which for the purposes of this Schedule also includes the Grant Account referred to in the Development Grant Agreement, and the Credit Account referred to in the Development Credit Agreement), and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule. The initial deposit shall be limited to the amount of $300,000, until the Bank determines based on the amounts and frequency of withdrawal applications that a higher balance is necessary.

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 Bank 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 Borrower shall furnish to the Bank 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 Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

   (b) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.
(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank 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 Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank 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 Bank shall not be required to make further deposits into the Special Account:

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

(b) if the Borrower shall have failed to furnish to the Bank, 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 Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank 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 Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the Authorized Allocation.
Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank 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 Bank 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 Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank 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 Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

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

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