1. This proposal seeks the Executive Directors approval of an amendment of the Loan and Development Credit Agreements for the Grenada – HIV/AIDS Control and Prevention Project (Loan 7140-GRD and Credit 3706-GRD). The purpose is to reassign undisbursed credit and loan proceeds to address new challenges in the prevention and control of HIV/AIDS emerging in the aftermath of Hurricane Ivan.

2. The HIV/AIDS Prevention and Control Project (Loan 7140-GRD and Credit 3706-GRD) was approved by the Board on July 25, 2002 for an amount of US$6.04 million (US$3.0 million loan & SDR 2.4 million credit) to assist the Borrower in controlling the spread of the HIV/AIDS epidemic through (a) the scaling up of programs for the prevention, care and control of the epidemic, targeted in particular to HIV/AIDS High-risk Groups; (b) the heightening of the awareness with respect to HIV/AIDS infection and prevention amongst the Borrower's population; and (c) the strengthening of the institutional capacity of the MOH, other related government agencies and civil society organizations to ensure the effectiveness and the sustainability of the Project.

3. On September 7, 2004 hurricane Ivan hit Grenada creating additional challenges in the prevention and control of HIV/AIDS. More than 90% of the building structures sustained some form of damage and more than 10% of the population lives and will live in the foreseeable future in shelters. Large areas of the country remain without electricity. These living conditions have rendered the general population and, in particular, people living in shelters vulnerable to HIV.

4. The Borrower's Ministry of Health (MoH) reports that the majority of people living with AIDS (PLWA) does not have the physical and financial capabilities to cope with the damage brought to their homes and households. Food security and price inflation of basic food provisions remain critical issues and PLWA face tremendous challenges to meet their increased nutritional needs. Water damage in the central hospital and central medical store destroyed the stock of antiretroviral drugs and caused the disruption of the antiretroviral treatment of PLWA.

5. The hurricane caused substantial damage to the health service delivery infrastructure that is critical for the implementation of activities under the HIV/AIDS project. The island's central laboratory and the second largest hospital were completely destroyed. The central hospital, other secondary care facilities, the central medical store and all health centers sustained various degrees of damage. The MoH estimates the costs of reconstruction and rehabilitation at US$ 10 to 12 million.

6. The Government of Grenada (GoG) requested the reallocation of US$1.3 million into a new disbursement category for a new component of the Project (Part E: Emergency Response to Hurricane Ivan). Said component will finance: (i) the establishment and operation of the NAC Directorate as needed for its expanded role for the prevention and control of the epidemic and difficult working conditions post Hurricane Ivan; and (ii) the strengthening the Borrower's capacity to respond to the additional challenges in the prevention and control of HIV/AIDS caused by Hurricane Ivan, by: (i) assessing the damages to the Borrower's health service infrastructure, developing and managing the implementation of a reconstruction and rehabilitation strategy for the health service
delivery infrastructure and rehabilitating and reconstructing facilities critical for the implementation of Project activities; (ii) designing and implementing information, education and communication campaigns and condom distribution strategies attending the populations rendered more vulnerable to HIV post Hurricane Ivan; (iii) supplying people living with AIDS with drugs, food and materials required for the rehabilitation of their homes.

7. In order to accommodate the request of the GoG, the following modifications to the Loan and Credit Development Agreement are necessary:

- Article III of the Loan Agreement: the revised version incorporates the National AIDS Council Directorate as an agency critical for the execution of the project;

- Schedule 1 of the Loan Agreement: the revised version introduces new disbursement categories (6b and 7), reflects the requested reallocations of Loan (US$636,600) and Credit (SDR 525,200) and increase all the disbursement percentages to 100% as per the recently approved financial parameters;

- Schedule 2 of the Loan Agreement: the revised version includes the additional development objective and the new project component with the activities to achieve the objective;


8. A copy of the draft Letter of Amendment to the Borrower is available upon request.
The Right Honorable
Mr. Anthony Boatswain
Minister of Finance
Ministry of Finance
Financial Complex, the Carenage
St. George’s
GRENADA, W.I.

Re: HIV/AIDS Prevention and Control Project (Loan No. 7140-GRD/Credit 3706-GRD)
First Amendment

Dear Mr. Boatswain:

Please refer to the Loan and Credit Agreements between Grenada (the Borrower) and the International Bank of Reconstruction and Development and the International Development Association (jointly the Bank) both dated September 05, 2002, for the above mentioned Project.

Pursuant to your request dated ______, 2004 and our recent discussions on the subject, we are pleased to inform you that the Bank hereby agrees to amend the Loan and Credit Agreements so as to incorporate appropriate provisions to help the Borrower address the natural disaster emergency situation which recently took place.

Consequently, the Loan and Development Credit Agreements are hereby amended as follows:

I. Loan Agreement:

1. Section 1.01 of the Loan Agreement is hereby amended to incorporate the following modification to Section 5.08 of the General Conditions:

   "Section 5.08. Treatment of Taxes:

   "Except as otherwise provided in the Loan Agreement, the proceeds of the Loan may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower or the Guarantor on the goods or services to be financed under the Loan, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Bank policy of requiring economy and efficiency in the use of the proceeds of its loans. To that end, if the Bank shall at any time determine that the amount of any taxes levied on, or in respect of any item to be financed out of, the proceeds of the Loan is excessive or otherwise unreasonable, the Bank may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Loan Agreement as required to be consistent with such policy of the Bank."

2. Section 1.02 is hereby amended so as to add the following definitions:

   "(w) ‘Hurricane Ivan’ means the hurricane which caused extensive wind damage and floods in the Caribbean in September, 2004;"
(x) ‘NAC Directorate’ means the Borrower’s National AIDS Council Directorate referred to in Section 3.10 of this agreement; and

(y) ‘Procurement Plan’ means the Borrower’s procurement plan, dated October 22, 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 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation.”.

3. Section 3.02 is hereby amended so as to read in its entirety as follows:

“Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of the goods, works and 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 guidelines 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.”

4. Section 3.10 is hereby amended to read in its entirety as follows:

“Section 3.10. (a) The Borrower shall appoint and maintain during Project implementation a national AIDS council (NAC), with membership acceptable to the Bank, for the purposes of: (i) advising the Borrower on HIV/AIDS policy; and (ii) assist in the coordination and implementation of the Project;

(b) Not later than three months from the date of this amendment letter, the Borrower shall appoint and thereafter maintain during Project implementation a NAC Directorate serving as the executive arm of the NAC and with functions and responsibilities satisfactory to the Bank, which shall include, inter alia:

(i) managing the implementation of the Project according to NAC’s recommendations regarding the scope, scale and resources of Project activities;

(ii) managing the development of annual work programs and procurement plans in collaboration with the Borrower’s ministries and other stakeholders;

(iii) collaborating in the preparation of adequate annual budgets and the appropriate allocation of resources; and

(iv) assuring sound financial management and procurement practices.

(c) The Borrower shall:

(i) ensure that the NAC directorate is staffed at all times with at least a director, a deputy director for communications and a program assistant; and
(ii) ensure that the NAC directorate is provided with adequate facilities, satisfactory to the Bank, to carry out its responsibilities.”

5. The disbursement table for the Loan and the Credit referred to in paragraph 1 of Schedule 1 to the Loan Agreement is hereby amended and replaced to read in its entirety as set forth in the Annex 1 to this Amendment Letter.

6. Schedule 2 to the Loan Agreement is hereby amended and replaced to read in its entirety as set forth in Annex 2 to this Amendment Letter.

7. Schedule 4 to the Loan Agreement is hereby amended and replaced to read in its entirety as set forth in Annex 3 to this Amendment Letter.

II. Credit Agreement:

Section 1.01 of the Agreements is hereby amended to incorporate the following modification to Section 5.08 of the General Conditions:

“Section 5.08. Treatment of Taxes:

“Except as otherwise provided in the Development Credit Agreement, the proceeds of the Credit may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower or the Guarantor on the goods or services to be financed under the Credit, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Association policy of requiring economy and efficiency in the use of the proceeds of its loans. To that end, if the Association shall at any time determine that the amount of any taxes levied on, or in respect of any item to be financed out of, the proceeds of the Credit is excessive or otherwise unreasonable, the Association may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Credit Agreement as required to be consistent with such policy of the Association.”

Please confirm your agreement with the foregoing amendment by signing and dating this letter in the spaces provided below. This amendment letter shall be executed in two counterparts each of which shall be an original.

Upon confirmation, please return one fully executed original to us. The provisions set forth in this amendment letter shall become effective as of the date of this letter upon receipt by the Bank of one fully executed original of this amendment letter.

Sincerely,
INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Caroline D. Anstey
Director
Caribbean Country Management Unit
Latin America and the Caribbean Region

AGREED:

GRENADA

By: ________________________________
   Authorized Representative

Name: ______________________________

Date: ______________________________
1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan and the Credit, the allocation of the amounts of the Loan 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</th>
<th>Amount of the Loan Allocated (Expressed in Dollars)</th>
<th>Amount of the Credit Allocated (Expressed in SDRs)</th>
<th>% of Expenditure to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works</td>
<td>590,000</td>
<td>465,700</td>
<td>100%</td>
</tr>
<tr>
<td>(except as covered under category 7 below)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Goods</td>
<td>27,500</td>
<td>21,800</td>
<td>100% of foreign expenditures, 85% of local expenditures</td>
</tr>
<tr>
<td>(except as covered under Categories (3), (4) (6) and (7) below)</td>
<td>234,000</td>
<td>185,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Anti-retroviral</td>
<td>234,000</td>
<td>185,000</td>
<td>100%</td>
</tr>
<tr>
<td>(except as covered under category 7 below)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(4) Laboratory reagents, drugs</td>
<td>1,235,000</td>
<td>975,400</td>
<td>100%</td>
</tr>
<tr>
<td>(except as covered under Category (3) above) and condoms</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(5) Consultants’ Services and Training</td>
<td>185,000</td>
<td>146,000</td>
<td>100%</td>
</tr>
<tr>
<td>(except as covered under category 7 below)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(6) (a) Operating costs, other than under Part E of the Project</td>
<td>185,500</td>
<td>146,000</td>
<td>100%</td>
</tr>
<tr>
<td>(b) Operating costs under Part E of the Project</td>
<td>17,500</td>
<td>13,900</td>
<td>100%</td>
</tr>
<tr>
<td>(7) Works, Goods, Consultants’ Services and Training, Antiretroviral drugs,</td>
<td>619,100</td>
<td>511,300</td>
<td>100%</td>
</tr>
</tbody>
</table>
Laboratory reagents, drugs and
Condoms under Part E of the Project

<table>
<thead>
<tr>
<th>Item Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>(8) Premia for Interest Rate Caps and</td>
<td>-0-</td>
</tr>
<tr>
<td>Interest Rate Collars</td>
<td></td>
</tr>
<tr>
<td>(9) Fee</td>
<td>30,000</td>
</tr>
<tr>
<td>(10) Unallocated</td>
<td>60,900</td>
</tr>
<tr>
<td></td>
<td>80,900</td>
</tr>
<tr>
<td>TOTALS</td>
<td>3,000,000</td>
</tr>
<tr>
<td></td>
<td>2,400,000</td>
</tr>
</tbody>
</table>

Amount due under Section 2.09 (c) of this Agreement

Amount due under Section 2.04 of this Agreement
ANNEX 2

"SCHEDULE 2

Description of the Project

The objectives of the Project are: (a) to assist the Borrower in controlling the spread of the HIV/AIDS epidemic through: (i) the scaling up of programs for the prevention, care and control of the epidemic, targeted in particular to HIV/AIDS High-risk Groups; (ii) the heightening of the awareness with respect to HIV/AIDS infection and prevention amongst the Borrower’s population; (iii) the strengthening of the institutional capacity of the MOH, other related government agencies and civil society organizations to ensure the effectiveness and the sustainability of the Project; and (d) assist the Borrower in its response to the challenges in the prevention and control of HIV/AIDS in the aftermath of Hurricane Ivan.

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: Promotion and Behavior Change

1. Reduction of stigma and discrimination against people living with AIDS, through: (a) the carrying out of advocacy campaigns throughout the Borrower’s territory; and (b) the strengthening of the existing legal framework to prevent discrimination associated with HIV/AIDS.

2. Design and implementation of information, educational and communication programs, through, inter alia: (a) the improvement of sexual education (with emphasis on prevention of HIV/AIDS and other STI) in schools; (b) the carrying out of educational programs for HIV/AIDS High-risk Groups; and (c) the carrying out of outreach campaigns, all for purposes of raising awareness and understanding among the targeted population with respect to HIV/AIDS transmission, and promoting behavioral changes with respect to safe sex practices among said population to avoid the spread of HIV/AIDS.

Part B: Prevention and Control

1. Carrying out of a couples challenge program, consisting of voluntary counseling and confidential testing for couples.

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

3. Carrying out of a national program to distribute condoms among the Borrower’s population.

4. Provision of technical assistance, specialized training for health workers, drugs and laboratory equipment for the strengthening of the STI prevention and control program, throughout the Borrower’s network of health centers.

5. Implementation of a national program for tuberculosis patients which will include, inter alia: (a) the strengthening of the laboratory network to improve the diagnosis of tuberculosis; (b) the
provision of training to health workers on tuberculosis prevention and control, with particular emphasis on HIV/AIDS patients; and (c) the provision of anti-tuberculosis drugs.

6. Carrying out a mother-to-child transmission preventive program which consists of, *inter alia*: (a) the provision of the anti-retroviral therapy to pregnant women and new-born children; (b) the provision of counseling to mothers regarding breastfeeding alternatives; and (c) the provision of baby formula to new-born children whose mothers are infected with HIV/AIDS.

7. Strengthening of the technical capacity of the laboratory of the Borrower’s general hospital for purposes of improving the capacity and quality of HIV/AIDS testing, diagnosing and monitoring of HIV/AIDS infections and preventing HIV cases due to blood transfusions.

8. (a) Preparation and carry out of an action plan to implement the recommendations stated on the biomedical waste management practices assessment prepared by the Borrower; (b) revision and updating of the manuals containing guidelines and procedures for medical waste handling and disposal on the basis of the recommendations of the assessment referred to in (a) above; (c) provision of training to health workers on handling and disposal of medical waste; and (d) acquisition of equipment for the improvement of biomedical waste disposal, on the basis of the recommendation of the assessment referred to in (a) above.

Part C: Access to Treatment and Care

1. Strengthening of the technical and institutional capacity of health facilities in the Borrower's territory, through: (a) the provision of specialized training to improve the diagnosis of opportunistic infections associated with HIV/AIDS; and (b) the provision of care, medical supplies and anti-retroviral therapy for patients with AIDS.

2. Design and implementation of a program on home care of HIV/AIDS patients which will include, *inter alia*: (a) the provision of training to health staff of local care facilities; (b) the provision of training, family education materials, and counseling to relatives of HIV/AIDS patients; and (c) the provision of medical supplies, disposable materials and medical durable equipment to incapacitated patients.

Part D: Institutional Development, Management and Surveillance

1. Establishment and operation of NAC.

2. Establishment and operation of the NAC Directorate.

3. Strengthening of the institutional capacity of the NIDCU and the PCU.

4. Strengthening the institutional capacity of the MOH and other related government agencies' disease surveillance system (in particular the STI/HIV/AIDS sub-system), 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; and (b) the design and implementation of an integrated management information system for HIV/AIDS and the required information technology platform for the purposes of improving the Borrower’s resource allocation and decision making concerning HIV/AIDS.
Part E: Emergency Response to Hurricane Ivan

1. Establishment and operation of the NAC Directorate as needed for its expanded role for the prevention and control of the epidemic and difficult working conditions post Hurricane Ivan.

2. Strengthening the Borrower’s capacity to respond to the additional challenges in the prevention and control of HIV/AIDS caused by Hurricane Ivan, by: (i) assessing the damages to the Borrower’s health service infrastructure, developing and managing the implementation of a reconstruction and rehabilitation strategy for the health service delivery infrastructure and rehabilitating and reconstructing facilities critical for the implementation of Project activities; (ii) designing and implementing information, education and communication campaigns and condom distribution strategies attending the populations rendered more vulnerable to HIV post Hurricane Ivan; (iii) supplying people living with AIDS with drugs, food and materials required for the rehabilitation of their homes.

***

The Project is expected to be completed by December 31, 2006.
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: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

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

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

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

A. International Competitive Bidding. 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. National Competitive Bidding

   Except as provided for in Part B.4 hereto, works estimated to cost more than $100,000 equivalent per contract, but less than $500,000 equivalent per contract, up to an aggregate amount not to exceed $350,000 equivalent, and goods estimated to cost less than $150,000 equivalent per contract, up to an aggregate amount not to exceed $300,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

   Selection of contractors and suppliers under this paragraph shall be carried out using standard bidding documents acceptable to the Bank;

2. International or National Shopping

   (a) Goods which cannot be grouped into larger bid packages and are estimated to cost less than $25,000 equivalent per contract, up to an aggregate amount not to exceed $330,000 equivalent, may
be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines;

(b) Goods procured under Part E of the Project, estimated to cost less than US$500,000 equivalent per contract, may be procured using shopping procedures based on a model request for quotations satisfactory to the Association in accordance with paragraph 3.5 of the Guidelines.


Works which the Bank agrees meet the requirements for Force Account may be carried out in accordance with the provisions of said procurement method. In order to respond to the needs of the natural disaster, the Borrower may also call for participation of community groups.

4. Procurement of Small Works

(a) Works for all other parts of the Project, except Part E, estimated to cost less than $100,000 equivalent per contract, up to an aggregate amount not to exceed $155,000 equivalent, may be procured under lump-sum, fixed-priced contracts awarded on the basis of quotations obtained from three qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully; and

(b) Works under Part E of the Project estimated to cost less than US$1 million equivalent per contract may be procured under contracts awarded on the basis of at least three quotations received by qualified contractors in response to a written invitation, which will include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement satisfactory to the Bank, and relevant drawings, where applicable, in accordance with the provisions of paragraph 3.5 of the Guidelines.

5. Direct Contracting

(a) Drugs, including anti-retroviral, reagents, condoms and other pharmaceuticals, may, with the Bank’s prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines;

(b) Goods and works under Part E of the Project for an amount up to US$500,000 equivalent per contract, to be used for rehabilitation of vital services or required for response to a natural disaster may, with the Bank’s prior agreement, be procured in accordance with the provisions of paragraphs 3.6 and 3.7 of the Guidelines.

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.

B. **Other Procedures**

1. **Selection Based on Consultant’s Qualifications**

   Services estimated to cost less than $50,000 may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

2. **Least-cost Selection**

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

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 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 subject to prior approval of the Bank.

4. **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 paragraphs 3.9 through 3.13 of the Consultant Guidelines.

**Section IV. Review by the Bank of Procurement Decisions**

Except as the Bank shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Bank:

(a) each contract for works under Part E of the Project estimated to cost the equivalent of $100,000 or more;

(b) each contract for goods and works procured under Part B.5 (b) of Section II of this Schedule;

(c) each contract goods and works procured under Part B.3 of Section II of this Schedule;
(d) each contract procured under Part B.2 (b) of Section II to this Schedule estimated to cost the equivalent of $100,000 per contract;

(e) each contract for consultants' services provided by a firm estimated to cost the equivalent of $100,000 or more.

(f) Each contract for consulting firms and individual consultants to be procured through single source under Parts B.3 and B.4 of Section III to this Schedule respectively.

(g) All other contracts shall be subject to Post Review by the Bank.