

**PROGRAM GRANT AGREEMENT
BETWEEN
THE GLOBAL FUND TO FIGHT AIDS, TUBERCULOSIS AND MALARIA (“Global
Fund”)
AND THE NATIONAL TREASURY, OF THE REPUBLIC OF SOUTH AFRICA
 (“Principal Recipient”)**

1. Country: South Africa		
2. Program Title: Strengthening national capacity for treatment, care and support related to HIV and TB, building on successful behaviour change initiatives in South Africa (loveLife)		
3. Grant Number: SAF-102-G02-C-00		3A. Modification Number and Date: (Not applicable)
4. Program Starting Date: August 1, 2003	5. Program Ending Date: July 30, 2005	6. Proposal Completion Date: July 31, 2008
6A. Condition Precedent Terminal Date: August 15, 2003	6B. Condition Precedent Terminal Date: October 1, 2003	6C. Condition Precedent Terminal Date: Not applicable
7. Global Fund Grant: US\$12,000,000 (Twelve Million United States Dollars)		
8. Program Coverage: ___ HIV/AIDS ___ Tuberculosis ___ Malaria __X__ HIV/AIDS/Tuberculosis		
9. Information for Principal Recipient Bank Account into Which Grant Funds Will Be Disbursed: Beneficiary: The Reconstruction and Development Programme Fund Account name: RDP Fund Account number: SARB8030-175-4 Bank name: South African Reserve Bank Bank address: 370, Church Street, Pretoria 0002 Bank SWIFT Code: SARBZAJP Bank Code: 900145 Routing instructions for disbursements:		
10. The fiscal year of the Principal Recipient runs from 1 April to 31 March		
11. Local Fund Agent (“LFA”) PricewaterhouseCoopers Address 2 Eglin Road, Sunninghill 2157, Johannesburg Tel. +27 11 797 4000 Fax +27 11 797 5800 Attention: Derek Browne, Director Michael Ngaara, Alternative Contact E-mail: derek.browne@za.pwc.com michael.ngaara@za.pwc.com		
12. Principal Recipient Additional Representative Dr Ayanda Ntsaluba Director General, National Department of Health Civitas Building, Corner Andries and Struben Str., 25 th floor, Room 2501, Pretoria Tel: +27.12.312 0816 Fax: +27.12.323.0093 E-mail: utsala@health.gov.za		13. Global Fund Additional Representative: Elhadj A. Sy Fund Portfolio Director, Africa Centre Casaï, Avenue Louis-Casaï No. 53 1216 Cointrin, Switzerland Tel.: +41 22 791 1700 Fax: +41 22 791 1701 E-mail: elhadj.sy@theglobalfund.org
14. This Agreement consists of the two pages of this face sheet and the following: Standard Terms and Conditions Annex A – Program Implementation Abstract Annex B – Program Proposal (for reference)		

15. Signed for the Principal Recipient by its Authorized Representative	
_____	Date: _____
Mr. Mandisi B. M. Mpahlwa Deputy Minister of Finance	
16. Signed for the Global Fund by its Authorized Representative	
_____	Date: _____
Prof. Richard G. A. Feachem Executive Director	
17. Acknowledged by the Chair of the Country Coordinating Mechanism	
_____	Date _____
Mr Jacob G Zuma Deputy President Republic of South Africa	
18. Acknowledged by Civil Society Representative of the Country Coordinating Mechanism	
_____	Date _____
Prudence Mabele Positive Women's Network	
19. Entry into Force: This Agreement, prepared in two originals, shall enter into force on the date of its signature by both the Principal Recipient and the Global Fund, acting through their duly Authorized Representatives identified in blocks 15 and 16 above.	

Standard Terms and Conditions

Article 1. PURPOSE OF AGREEMENT

This Agreement between the Global Fund to Fight AIDS, Tuberculosis and Malaria, a non-profit foundation established under the laws of Switzerland (sometimes hereinafter, the “Global Fund”) and the Principal Recipient identified on the face sheet of this Agreement defines the terms and conditions under which the Global Fund will provide funding to the Principal Recipient to implement or oversee the implementation of the Program whose title is set forth in block 2 of the face sheet of this Agreement (the “Program”) for the country specified in block 1 of the face sheet of this Agreement (“Host Country”).

Article 2. THE PROGRAM

- a. The “Program Implementation Abstract,” Annex A of this Agreement, further describes the Program and constitutes an integral part of this Agreement.
- b. The Global Fund and the Principal Recipient may by agreement in writing from time to time modify Annex A of this Agreement during the implementation of the Program.
- c. Annex B sets forth, for reference, the proposal on which the Program is based, but does not, by itself, establish commitments by either the Global Fund or the Principal Recipient. To the extent Annex B is inconsistent with any other part of this Agreement, such other part of this Agreement shall govern.

Article 3. FISCAL TERMS

- a. The Global Fund hereby grants to the Principal Recipient an amount not to exceed that stated in block 7 of the face sheet of this Agreement (the “Grant”), which shall be made available to the Principal Recipient under the terms of this Agreement. The Global Fund makes the Grant to the Principal Recipient in response to the Country Coordinating Mechanism’s request for financial assistance.
- b. Any interest or other earnings on funds disbursed by the Global Fund to the Principal Recipient under this Agreement shall be used for Program purposes, unless the Global Fund agrees otherwise in writing.
- c. Total Global Fund funding for the Program is limited to the Grant. Each disbursement of Grant funds shall be subject to the availability of funds to the Global Fund for such purpose at the time of the disbursement. Unless the Global Fund agrees otherwise in writing, the Grant may be used for Program expenditures beginning from the “Program Starting Date” (specified in block 4 of the face sheet of this Agreement). If the Principal Recipient chooses to continue Program activities after the Global Fund funding has been exhausted, the Principal Recipient understands that the Global Fund makes no commitment beyond the amounts available under the terms of this Agreement.
- d. The Global Fund and the Principal Recipient estimate that the proposal described in Annex B, as designed and if fully funded and implemented, will be completed by the “Proposal Completion Date” (specified in block 6 of the face sheet of this Agreement). Unless the Global Fund agrees otherwise in writing, the Global Fund will not authorize

disbursement of the Grant after the “Program Ending Date” (specified in block 5 of the face sheet of this Agreement) if the Global Fund determines in its sole discretion that satisfactory progress has not been made in implementing the Program before the Program Ending Date or that funds are not available for such disbursement.

e. Conditions Precedent to Disbursement.

(1) Annex A, the Program Implementation Abstract, may state conditions precedent to first disbursement of funds under the Grant or conditions precedent to disbursement of Grant funds for a particular purpose, in excess of a specified amount or after a certain time. Unless the Global Fund and the Principal Recipient agree otherwise in writing, the Principal Recipient must satisfy the stated conditions, in form and substance satisfactory to the Global Fund, before the Global Fund will authorize disbursement of the relevant funds.

(2) The terminal dates for meeting the conditions specified in Annex A are the dates specified in blocks 6A, 6B and 6C (if present) of the face sheet of this Agreement, as indicated for the particular conditions. If the conditions precedent have not been met by the stated terminal date, the Global Fund, at any time, may terminate this Agreement by written notice to the Principal Recipient.

(3) Unless the Global Fund advises the Principal Recipient otherwise in writing, the Principal Recipient will furnish to the Global Fund all items required to satisfy the conditions precedent to disbursement stated in Annex A and shall ensure that members of the Country Coordinating Mechanism receive copies of the items. The Global Fund will promptly notify the Principal Recipient when the Global Fund has determined that a condition precedent has been met.

Article 4. TAXES AND DUTIES

a. The Principal Recipient shall try to ensure through coordination with the Country Coordinating Mechanism and otherwise that this Agreement and the assistance financed hereunder shall be free from taxes and duties imposed under laws in effect in the Host Country.

b. The Principal Recipient shall assert all exemptions from taxes and duties to which it believes it, the Global Fund or the Grant is entitled.

Article 5. THE TRUSTEE

The Global Fund and the International Bank for Reconstruction and Development (the “World Bank”) have entered into an agreement as of May 31, 2002, by which the World Bank has agreed to establish the “Trust Fund for the Global Fund to Fight AIDS, Tuberculosis and Malaria” (the “Trust Fund”) and to serve as the trustee of the Trust Fund (the “Trustee”). Grant funds made available to the Principal Recipient will be disbursed from the Trust Fund.

Article 6. DISBURSEMENTS

a. To receive disbursements under the Grant, the Principal Recipient shall submit to the Global Fund requests for disbursements, which shall be in form and substance satisfactory to the Global Fund and at intervals acceptable to the Global Fund. The requests for disbursement shall be signed by the person or persons authorized by the Principal Recipient to do so. The Principal Recipient shall furnish to the Country Coordinating Mechanism a copy of each request for disbursement that the Principal Recipient submits to the Global Fund under this Article. Upon the Global Fund's approval of a request for disbursement, the Global Fund will advise the Trustee to transfer the amount approved by the Global Fund into the account specified in block 9 of the face sheet of this Agreement.

b. The amount approved for disbursement will be based on achievement of Program results and the expected cash flow needs of the Principal Recipient. The Global Fund, at any time, may approve for disbursement an amount less than the disbursement request if the Global Fund concludes that the full disbursement request is not justified.

c. Each disbursement under the Grant is subject to the availability of funds to the Global Fund for such disbursement.

d. From time to time, the Global Fund will give the Principal Recipient guidance, through postings on the Global Fund's Internet web site or through Implementation Letters, on the acceptable frequency, form and content of requests for disbursements. Unless the Principal Recipient and the Global Fund agree otherwise in writing, the form of the request for disbursement applicable to this Agreement shall be the relevant form specified in Annex A of this Agreement.

Article 7. AUDITS AND RECORDS

a. Books and Records of the Principal Recipient. The Principal Recipient shall maintain accounting books, records, documents and other evidence relating to the Agreement, adequate to show, without limitation, all costs incurred by the Principal Recipient under the Agreement and the overall progress toward completion of the Program ("Agreement books and records"). The Principal Recipient shall maintain Agreement books and records in accordance with generally accepted accounting standards acceptable in the Host Country or in accordance with other accounting standards that the Global Fund and the Principal Recipient have agreed to in writing in advance. Agreement books and records shall be maintained for at least three years after the date of last disbursement under this Agreement or for such longer period, if any, required to resolve any claims or audit findings.

b. Principal Recipient Audits. The Principal Recipient shall have annual financial audits conducted of Program expenditures, except as the Global Fund and the Principal Recipient may otherwise agree in writing. With the concurrence of the Global Fund, the Principal Recipient shall select an independent auditor acceptable to the Global Fund, and the audits shall be performed in accordance with terms of reference acceptable to the Global Fund.

c. Sub-recipient Audits. The Principal Recipient shall ensure the audit of the expenditures of Sub-recipients in accordance with the plan approved by the Global Fund for such audits, unless the Global Fund and the Principal Recipient agree otherwise in writing.

d. Audit Reports. The Principal Recipient shall furnish or cause to be furnished to the Global Fund an audit report for each audit arranged for by the Principal Recipient or a Sub-recipient in accordance with this Article within six months after the end of the period under audit.

e. Audit by the Global Fund. The Global Fund reserves the right, on its own or through an agent, to perform the audits required under this Agreement utilizing Grant funds or other resources available for this purpose, to conduct a financial review, or otherwise to ensure the accountability of Grant funds.

f. Opportunity to Inspect. The Principal Recipient shall afford authorized representatives of the Global Fund, its agents or any third party of which the Global Fund notifies the Principal Recipient the opportunity at all reasonable times to inspect activities financed by the Grant, the utilization of goods and services financed by the Grant, and Agreement books and records.

g. Notification. The Principal Recipient shall notify the Global Fund promptly in writing of any audits of activities financed by this Agreement initiated by or at the request of an audit authority of the Government of the Host Country or of any other entity.

Article 8. REFUNDS

a. In the case of any disbursement of the Grant that is not made or used in accordance with this Agreement, or that finances goods or services that are not used in accordance with this Agreement, the Global Fund, notwithstanding the availability or exercise of any other remedies under this Agreement, may require the Principal Recipient to refund the amount of such disbursement in United States dollars to the Global Fund within sixty (60) days after the Principal Recipient receives the Global Fund's request for a refund.

b. If the Principal Recipient's failure to comply with any of its obligations under this Agreement has the result that goods or services financed or supported by the Grant are not used in accordance with this Agreement, the Global Fund may require the Principal Recipient to refund all or any part of the amount of the disbursements under this Agreement for or in connection with such goods or services in United States dollars to the Global Fund within sixty (60) days after receipt of a request therefor.

c. The right under paragraphs (a) or (b) of this Article to require a refund of a disbursement will continue, notwithstanding any other provision of this Agreement, for three years from the date of the last disbursement under this Agreement.

Article 9. ADDITIONALITY

In accordance with the criteria governing the selection and award of this Grant, the Global Fund has awarded the Grant to the Principal Recipient on the condition that the Grant is in addition to the normal and expected resources that the Host Country usually receives or budgets from external or domestic sources. This is an essential condition for the award of this Grant, and, therefore, the Principal Recipient must take all actions available to it to ensure that this condition continues to be met during the period of this Agreement.

Article 10. PROGRAM COOPERATION AND COORDINATION

a. **The Country Coordinating Mechanism**

(1) The Principal Recipient hereby acknowledges that

(a) the Country Coordinating Mechanism (of which the Principal Recipient is a part) is the group that coordinates the submission of proposals to the Global Fund from the Host Country and monitors the implementation of activities under approved programs;

(b) the Country Coordinating Mechanism functions as a forum to promote true partnership development and participation of multiple constituencies, including Host Country governmental entities, donors, nongovernmental organizations, faith-based organizations and the private sector;

(c) the Country Coordinating Mechanism should encourage multisectoral program approaches and ensure linkages and consistency between Global Fund assistance and other development and health assistance programs, including but not limited to multilateral loans, bilateral grants, Poverty Reduction Strategy Programs, and sector-wide assistance programs; and

(d) the Country Coordinating Mechanism should encourage its partners to mobilize broadly to fight diseases of poverty, to seek increased financial resources and technical assistance for that purpose, and to ensure the sustainability of local programs, including those supported by the Global Fund.

(2) The Principal Recipient will cooperate with the Country Coordinating Mechanism and the Global Fund to assure that the purpose of this Agreement will be accomplished. To this end, the Principal Recipient and the Global Fund, at the request of either or of the Country Coordinating Mechanism, will exchange views on the progress of the Program, the performance of obligations under this Agreement, and the performance of any consultants, contractors, or suppliers engaged in the Program, and other matters relating to the Program.

(3) The Principal Recipient shall actively assist the Country Coordinating Mechanism to meet regularly to discuss plans, share information and communicate on Global Fund issues. The Principal Recipient shall keep the Country Coordinating Mechanism continuously informed about the Program and the Principal Recipient's management thereof and shall furnish to the Country Coordinating Mechanism such reports and information as the Country Coordinating Mechanism may reasonably request. The Principal Recipient understands that the Global Fund may, in its discretion, share information with the Country Coordinating Mechanism.

(4) The Principal Recipient shall coordinate its activities with the activities of related or substantially similar programs in the Host Country.

(5) The Global Fund will specify in Implementation Letters additional responsibilities of the Principal Recipient with respect to the Country Coordinating Mechanism.

b. Sub-recipients

(1) From time to time, the Principal Recipient may, under this Agreement, provide funding to other entities to carry out activities contemplated under the Program (“Sub-recipients”). The Principal Recipient will be responsible for all resources it receives and for the results it and Sub-recipients (if any) are to accomplish. The Principal Recipient shall ensure that all agreements with Sub-recipients are in compliance with this Agreement. The Principal Recipient shall furnish the Global Fund a copy of the form or forms of agreement, acceptable to the Global Fund, that the Principal Recipient will use with Sub-recipients.

(2) The Principal Recipient’s accountability and reporting shall encompass the funds disbursed to all Sub-recipients and to the activities Sub-recipients carry out using Program funds. The Principal Recipient shall have systems in place, acceptable to the Global Fund, to assess the capacity of Sub-recipients, monitor their performance, and assure regular reporting from them in accordance with this Agreement. The Principal Recipient shall comply with such systems to assess Sub-recipients and supervise and monitor their activities and reporting under the Program.

(3) With respect to Sub-recipients or other third parties that enter into agreements with the Principal Recipient, the Principal Recipient shall remain solely responsible for the actions of such Sub-recipients or other third parties and shall not, under any circumstances, engage the responsibility of the Global Fund.

c. Other Principal Recipients

In addition to the Principal Recipient, the Global Fund may from time to time award grants to other entities, as possibly proposed by the Country Coordinating Mechanism, to implement programs in the Host Country. The Principal Recipient will cooperate as appropriate with such other entities to realize the benefits of all programs financed by the Global Fund.

d. The LFA

(1) The Global Fund has entrusted an entity, as indicated in block 11 of the face sheet of this Agreement (the “LFA”), to assist the Global Fund in its oversight role during the implementation of the Program.

(2) The Principal Recipient agrees to cooperate fully to permit the LFA to carry out its functions. To this end, the Principal Recipient shall, inter alia, do the following:

(a) submit all reports, disbursement requests and other communications required under this Agreement to the Global Fund through the LFA;

(b) submit copies of all audit reports to the LFA;

(c) permit the LFA to perform ad hoc site visits at the times and places decided by the LFA;

(d) allow the LFA to review books and records relating to the Program at the times and places decided by the LFA;

(e) cooperate with the LFA to identify additional training and capacity building that the Principal Recipient may need to implement the Program; and

(f) cooperate with the LFA in other ways that the Global Fund may specify in writing.

(3) For purposes of this Agreement, the principal representative of the LFA shall be the person named or acting in the position identified in block 11 of the face sheet of this Agreement, unless the Global Fund notifies the Principal Recipient otherwise in writing.

(4) The LFA may not amend or otherwise modify the terms of this Agreement.

Article 11. COMMUNICATIONS

Any notice, request, document, report, or other communication submitted by either the Principal Recipient or the Global Fund, unless this Agreement expressly provides otherwise or the Global Fund and the Principal Recipient agree otherwise in writing, will be sent to the other party's Authorized Representative (noted in block 15 or 16 of the face sheet of this Agreement) or Additional Representative (noted in block 12 or 13 of the face sheet of this Agreement). In the case of communications to the Global Fund through the LFA, the Principal Recipient shall submit such communications to the person identified in block 11 of the face sheet of this Agreement. All communications under this Agreement will be in English, unless the Global Fund and the Principal Recipient agree otherwise in writing.

Article 12. IMPLEMENTATION LETTERS

To assist the Principal Recipient in the implementation of this Agreement, the Global Fund will from time to time issue Implementation Letters that will furnish additional information and guidance about matters stated in this Agreement. In addition, the Global Fund and the Principal Recipient may from time to time issue jointly signed Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement.

Article 13. REPORTS

a. Unless the Global Fund advises the Principal Recipient otherwise in writing, the Principal Recipient shall furnish to the Global Fund the reports specified in paragraph b below. In addition, the Principal Recipient shall furnish to the Global Fund such other information and reports at such times as the Global Fund may request. From time to time, the Global Fund will give the Principal Recipient guidance, through postings on the Global Fund's Internet web site or through Implementation Letters, on the acceptable frequency, form and content of the reports required under this Article. The Principal Recipient shall furnish to the Country Coordinating Mechanism a copy of all reports the Principal Recipient submits to the Global Fund under this Article.

b. Required Reports

(1) Periodic Reports

The Principal Recipient shall periodically report on the programmatic achievements and expenditures of the Program. For purposes of this Article, a reporting period will be the same as the interval stated as the planned disbursement period in Annex A. Not later than 45 days after the close of each reporting period of the Program, the Principal Recipient shall submit to the Global Fund a report for the reporting period using the relevant form specified in Annex A of this Agreement or such other form as the Principal Recipient and the Global Fund may agree upon in writing. For the period in question, the Principal Recipient shall explain in the report any variance between planned and actual achievements and between planned and actual expenditures.

(2) Fiscal-Year Progress Reports

Unless the Global Fund advises the Principal Recipient otherwise in writing, not later than 90 days after the close of each fiscal year of the Principal Recipient (as specified in block 10 of the face sheet of this Agreement), the Principal Recipient shall submit to the Global Fund, in form and substance satisfactory to the Global Fund, a fiscal-year financial and programmatic progress report covering the Principal Recipient's preceding fiscal year ("Fiscal-Year Progress Report").

Article 14. MONITORING

Not later than 90 days after this Agreement enters into force, the Principal Recipient shall submit to the Global Fund, in form and substance satisfactory to the Global Fund, a detailed plan for monitoring the Program. The Global Fund will give the Principal Recipient guidelines for the plan, through postings on the Global Fund's Internet web site or through Implementation Letters.

Article 15. EVALUATION

The Global Fund, in its discretion, may conduct an independent evaluation of the Program. If so, the Global Fund will specify, in consultation with the Principal Recipient and the Country Coordinating Mechanism, the terms of reference for the evaluation and an appropriate schedule for conducting it. The Principal Recipient shall require all Sub-recipients to cooperate fully in the execution of the evaluation.

Article 16. DISSEMINATION OF INFORMATION

Either party to this Agreement may make the information derived from the implementation of this Program available to the domestic and international community, consistent with the rights of individuals to privacy, the property rights of persons in trade secrets and confidential commercial or financial information. The Global Fund reserves the right to freely publish or disseminate information derived from the implementation of this Program.

Article 17. CONTRACTS FOR GOODS AND SERVICES.

- a. Unless the Global Fund agrees otherwise in writing,

(1) The Principal Recipient shall disclose to the Global Fund the policies and practices that it will use to contract for goods and services under this Agreement. At a minimum, such policies and practices shall conform to the requirements (a) through (e) listed below.

(a) Contracts shall be awarded, to the extent practical, on a competitive basis.

(b) Solicitations for goods and services shall be based upon a clear and accurate description of the goods or services to be acquired.

(c) Contracts shall be awarded only to responsible contractors that possess the potential ability to successfully perform the contracts.

(d) No more than a reasonable price (as determined, for example, by a comparison of price quotations and market prices) shall be paid to obtain goods and services.

(e) The Principal Recipient shall maintain records regarding the receipt and use of goods and services acquired under the Agreement by the Principal Recipient, the nature and extent of solicitations of prospective suppliers of goods and services acquired by the Principal Recipient, and the basis of award of Principal Recipient contracts and orders.

(2) Title to goods or other property financed by the Global Fund under this Agreement shall be in the name of the Principal Recipient or a Sub-recipient or other entity approved by the Principal Recipient.

b. From time to time, the Global Fund may issue Implementation Letters to further advise the Principal Recipient regarding policies applicable to the contracts for goods (including pharmaceutical products) and services using Grant funds.

Article 18. PHARMACEUTICAL AND OTHER HEALTH PRODUCTS

As used in this Agreement, the terms “medicines,” “multisource pharmaceutical product,” and “pharmaceutical products” have the meanings used by the World Health Organization in the “Glossary” of its “Marketing Authorization of Pharmaceutical Products with Special Reference to Multisource (Generic) Products: A Manual for Drug Regulatory Authorities.” The term “health products” includes pharmaceutical products, diagnostic technologies and supplies, bed nets, insecticides, aerial sprays against mosquitoes, other products for prevention (e.g., condoms), or laboratory equipment and supportive products (e.g., microscopes and reagents). When Sub-recipients (instead of or in addition to the Principal Recipient) carry out procurement activities governed by this Article, the Principal Recipient shall perform the functions applicable to the Principal Recipient under this Article or ensure that Sub-recipients perform them.

a. Procurement assessment and procurement plan

Due to the complexity and significant risks of the procurement of health products, no Grant funds may be used to finance such procurement until

(1) the Global Fund has approved an assessment of the Principal Recipient's capability to manage such procurement, unless the Global Fund agrees otherwise in writing; and

(2) the Principal Recipient has submitted to the Global Fund, in form and substance satisfactory to the Global Fund, a plan, consistent with this Article 18, for the procurement and use of the health products that will be procured (the "procurement plan"). The procurement plan must also include a plan to procure and use diagnostic technologies and supplies and other major categories of supplies related to the provision of the medicines.

The Global Fund will advise the Principal Recipient in writing when it has approved the procurement plan. Unless the Global Fund and the Principal Recipient agree otherwise in writing, the Principal Recipient must ensure that procurement under the Program is carried out in accordance with the procurement plan.

b. List of medicines to be procured

Unless the Global Fund agrees otherwise in writing, Grant funds must not be used to procure medicines that do not appear in current standard treatment guidelines or essential medicines lists of the World Health Organization, the Host Country government, or the Recipient or Sub-recipient. The procurement plan must include a listing of the standard treatment guidelines and essential medicines lists that will apply to the Program.

c. Forecasting and inventory management

The Principal Recipient must systematically and regularly update forecasts of the quantities of pharmaceutical and other health products needed for the Program. Initial forecasts for new activities must be based on morbidity, adjusting the potential demand in light of realistic estimates of the anticipated capacity to deliver services. Forecasts for ongoing activities must be based on consumption.

The Principal Recipient must monitor forecasts and regularly compare estimated needs for pharmaceutical and other health products under the Program with actual consumption of such products. The Principal Recipient must report this information to the Global Fund.

The Principal Recipient must develop a plan and information system to minimize the risk that products will be out of stock. Not less frequently than semi-annually, the Principal Recipient must report to the Global Fund how often products are out of stock. The Principal Recipient must establish (or ensure the establishment of) product-specific levels of local buffer stocks and closely monitor them.

d. Procurement responsibilities

Where the Global Fund has determined that the Principal Recipient possesses the requisite procurement capacity, the Principal Recipient will be responsible for all procurement under the Agreement, and at its discretion, may use, or permit its Sub-recipients to use, contracted local, regional or international procurement agents to conduct procurements. Otherwise, the Principal Recipient must use established regional or international procurement agents or other mechanisms acceptable to the Global Fund.

In all cases, the Principal Recipient is encouraged to use, or cause Sub-recipients to use, capable regional and global procurement services wherever pooling of demand lowers prices for products of assured quality.

e. Procurement practices

The Principal Recipient must ensure that the procurement of pharmaceutical products under the Agreement adheres to the Interagency Operational Principles for Good Pharmaceutical Procurement, unless, in cases where actual practices differ from the Interagency Operational Principles for Good Pharmaceutical Procurement, the Principal Recipient demonstrates, in form and substance satisfactory to the Global Fund, a comparable system of competitive procurement by a group of pre-qualified suppliers, transparency and accountability to their practices, and the application of necessary quality assurance mechanisms.

f. Lowest possible price

The Principal Recipient must use good procurement practices, including competitive purchasing from qualified manufacturers and suppliers, as outlined in item e above, to attain the lowest price of products, consistent with quality assurance.

g. Compliance with quality standards

Pharmaceutical products may be financed under the Agreement only if the quality standards of such pharmaceutical products can be assured. For multisource, off-patent products with available dosage from published pharmacopoeial quality standards, the Principal Recipient may verify compliance with applicable standards in accordance with existing national procedures of the Host Country.

Any single- or limited-source pharmaceutical product (that is, a pharmaceutical product for which there are not publicly available quality assurance standards, analytic methods, and reference standards) must

- (1) be acceptable under the United Nations Pilot Procurement Quality and Sourcing Project initiated by the World Health Organization;
- (2) have been authorized for use by the regulatory authority of
 - (a) a member of the Pharmaceutical Inspection Convention or an entity participating in the Pharmaceutical Inspection Co-operation Scheme or
 - (b) a member of the International Conference on Harmonisation of Technical Requirements for the Registration of Pharmaceuticals for Human Use; or
- (3) until December 31, 2004, have been authorized by the National Drug Regulatory Authority.

After December 31, 2004, all single- or limited-source pharmaceutical products must meet the requirements of either (a) or (b) in the preceding sentence. In all cases, pharmaceutical products financed under the Agreement must satisfy quality standards prescribed from time to time by the Global Fund.

h. National drug registration (must comply with local requirements, if any)

If pharmaceutical products intended for use under the Program require approval by the cognizant national drug regulatory authority in the Host Country (the “National Drug Regulatory Authority”), such pharmaceutical products may be financed under the Agreement only if they have been granted such approval.

i. Monitoring supplier performance

The Principal Recipient must monitor the performance of suppliers with respect to the quality of the goods and services they supply and must submit the information gathered to the Global Fund electronically for publication over the Internet through a mechanism to be established or specified by the Global Fund.

j. Monitoring product quality

The Principal Recipient must systematically ensure that random samples of pharmaceutical products financed under the Agreement are tested for compliance with applicable quality standards. The Global Fund will furnish additional guidance on this matter at a future date. However, in any event, the Principal Recipient must have appropriate monitoring systems in place that are acceptable to the Global Fund or provide for the use of international procurement agencies acceptable to the Global Fund.

k. Supply chain

With regard to the supply chain for pharmaceutical and other health products financed under the Program, the Principal Recipient must seek to ensure optimal reliability, efficiency and security.

l. Avoidance of diversion

The Principal Recipient must implement and ensure that Sub-recipients implement procedures that will avoid the diversion of Program-financed health products from their intended and agreed-upon purpose. The procedures should include the establishment and maintenance of reliable inventory management, first-in first-out stock control systems, internal audit systems, and good governance structures to ensure the sound operation of these systems.

m. Adherence to treatment protocols, drug resistance and adverse effects

The Principal Recipient must implement mechanisms to

(1) encourage patients to adhere to their prescribed treatments (which mechanisms must include but not be limited to fixed-dose combinations, once-a-day formulations, blister packs, and peer education and support);

(2) monitor and contain drug resistance; and

(3) monitor adverse drug reactions according to existing international guidelines.

To help limit resistance to second-line tuberculosis drugs and to be consistent with the policies of other international funding sources, all procurement of medicines to treat multi-drug resistant tuberculosis financed under the Agreement must be conducted through the Green Light Committee of the Global Stop TB Partnership.

Article 19. UTILIZATION OF GOODS AND SERVICES

All goods and services financed with Grant funds will, unless otherwise agreed in writing by the Global Fund, be devoted to the Program until the completion or termination of this Agreement, and thereafter may only be used to further the objectives of this Agreement or as the Global Fund may direct in Implementation Letters.

Article 20. MODIFICATION OR AMENDMENT

a. Any change to the terms of this Agreement as set forth in blocks 1 through 13 of the face sheet of this Agreement shall be reflected in and accompanied by the execution of an amended face sheet. In the case of blocks 1 and 2, blocks 4 through 8 and block 10, the amended face sheet must be formally agreed in writing by both the Global Fund and the Principal Recipient. Modifications of block 9 may be issued by the Global Fund based upon notification in writing from the person or persons authorized to sign disbursement requests for the Principal Recipient and verification of the proposed modification. Modifications of block 12 may be issued by the Global Fund based upon notification from an authorized representative of the Principal Recipient. Modifications of blocks 3, 11 and 13 may be issued by the Global Fund in its discretion. The Global Fund may modify block 3A to reflect agreed changes to the Agreement (in Annex A, for example).

b. Except as provided in paragraph a of this Article, no modification of this Agreement shall be valid unless in writing and signed by an authorized representative of the Global Fund and the Principal Recipient.

Article 21. TERMINATION; SUSPENSION

a. The Global Fund may terminate this Agreement in whole or in part upon giving the Principal Recipient thirty days written notice. The Global Fund may suspend this Agreement in whole or in part upon giving the Principal Recipient written notice. Any portion of this Agreement that is not terminated or suspended shall remain in full force and effect.

b. In addition, upon full or partial termination or suspension of this Agreement, the Global Fund may, at the Global Fund's expense, direct that title to goods financed under the Grant, be transferred to the Global Fund if the goods are in a deliverable state.

Article 22. NOVATION; TRANSFER OF PRINCIPAL RECIPIENT RESPONSIBILITIES UNDER THIS AGREEMENT

If at any time, either the Principal Recipient or the Global Fund concludes that the Principal Recipient is not able to perform the role of Principal Recipient and to carry out its

responsibilities under this Agreement or if, for whatever reason, the Global Fund and the Principal Recipient wish to transfer some or all of the responsibilities of the Principal Recipient to another entity that is able and willing to accept those responsibilities, then the Global Fund and the Principal Recipient may agree that the other entity (“New Principal Recipient”), may be substituted for the Principal Recipient in this Agreement. The substitution shall occur on such terms and conditions as the Global Fund and the New Principal Recipient agree, in consultation with the Country Coordinating Mechanism. The Principal Recipient hereby agrees to cooperate fully to make the transfer as smooth as possible.

Article 23. NONWAIVER OF REMEDIES.

No delay in exercising any right or remedy under this Agreement will be construed as a waiver of such right or remedy.

Article 24. SUCCESSORS AND ASSIGNEES

This Agreement shall be binding on the successors and assignees of the Principal Recipient and the Agreement shall be deemed to include the Principal Recipient’s successors and assignees. However, nothing in this Agreement shall permit any assignment without the prior written approval of the Global Fund.

Article 25. LIMITS OF GLOBAL FUND LIABILITY

a. The Global Fund shall be responsible only for performing the obligations specifically set forth in this Agreement. Except for those obligations, the Global Fund shall have no liability to the Country Coordinating Mechanism, the Principal Recipient, Sub-recipients or any other person or entity as a result of this Agreement or the implementation of the Program. Any financial or other liability that may arise as a result of the implementation of the Program shall be the responsibility of the Principal Recipient and Sub-recipients.

b. The Principal Recipient undertakes the Program on its own behalf and not on behalf of the Global Fund. This Agreement and the Grant shall in no way be construed as creating the relationship of principal and agent, of partnership in law or of joint venture as between the Global Fund and the Principal Recipient or any other person involved in the Program. The Global Fund assumes no liability for any loss or damage to any person or property arising from the Program.

Article 26. ARBITRATION

a. Any dispute between the Global Fund and the Principal Recipient arising out of or relating to this Agreement that is not settled amicably shall be submitted to arbitration at the request of either the Global Fund or the Principal Recipient. The arbitration shall be conducted in accordance with UNCITRAL Arbitration Rules as at present in force. The Global Fund and the Principal Recipient agree to be bound by the arbitration award rendered in accordance with such arbitration, as the final adjudication of any such dispute, controversy, or claim. The place of arbitration shall be Geneva, Switzerland.

b. For any dispute for which the amount at issue is 100,000 United States dollars or less, there shall be one arbitrator.

c. For any dispute for which the amount at issue is greater than 100,000 United States dollars, there shall be three arbitrators appointed as follows: The Global Fund and the Principal Recipient shall each appoint one arbitrator, and the two arbitrators so appointed shall jointly appoint a third who shall be the chairperson.

Article 27. CONFLICTS OF INTEREST; ANTI-CORRUPTION

a. The Principal Recipient shall maintain standards of conduct that shall govern the performance of persons affiliated with the Principal Recipient (for example, directors, officers, employees, or agents) engaged in the award and administration of contracts, grants, or other benefits using Grant funds. No person affiliated with the Principal Recipient shall participate in the selection, award or administration of a contract, grant or other benefit or transaction funded by the Grant, in which the person, members of the person's immediate family or his or her business partners, or organizations controlled by or substantially involving such person, has or have a financial interest. Nor shall any person affiliated with the Principal Recipient participate in such transactions involving organizations or entities with which or whom that person is negotiating or has any arrangement concerning prospective employment. Persons affiliated with the Principal Recipient shall not solicit gratuities, favors or gifts from contractors or potential contractors.

b. If the Principal Recipient has knowledge or becomes aware of any actual, apparent or potential conflict between the financial interests of any person affiliated with the Principal Recipient, the Country Coordinating Mechanism, the LFA, or the Global Fund and that person's duties with respect to the implementation of the Program, the Principal Recipient shall immediately disclose the actual, apparent or potential conflict of interest directly to the Global Fund.

c. The Global Fund and the Principal Recipient shall neither offer a third person nor seek, accept or be promised directly or indirectly for themselves or for another person or entity any gift or benefit that would or could be construed as an illegal or corrupt practice.

Annex A

Program Implementation Abstract

Country : South Africa
Original Proposal Name : Strengthening national capacity for treatment, care and support related to HIV and TB, building on successful behaviour change initiatives in South Africa
Original Proposal Number : 243

Grant Program Title : National Adolescent Friendly Clinics (LoveLife)
Grant Program Number : SAF-102-G02-C-00
Disease : HIV/AIDS and TB
Principal Recipient : The National Treasury of the Republic of South Africa

A. Program Description

1. Summary:

The Lovelife initiative aims to reduce HIV infection among South African adolescents by promoting sexual health and healthy futures for young people. The program is a comprehensive sexual health strategy that harnesses popular culture to promote sexual responsibility and healthy living, while at the same time developing frontline services that are more responsive to the sexual health concerns and needs of adolescents. The Lovelife National Adolescent Friendly Clinic Initiative aims to expand public demand for effective sexual and reproductive health services, particularly among young people. In each clinic, a brightly painted “chill room” for young people is established, creating a friendly environment to talk, listen to music, read loveLife’s fortnightly lifestyle magazines S’camtoPRINT and ThethaNathi, and have easy access to condoms. A “loveLife kiosk” placed in each clinic waiting room provides information for parents and young people and is run by a young volunteer (groundBREAKER). groundBREAKERS serve as first point of contact for young people at clinics; work closely with public service providers, and run most of the support and outreach programs. Their primary role is to mobilise young people to use clinics.

The quality improvement process creates a “knock-on effect” throughout the clinic and district management systems – thereby improving management of TB and malaria.

The National Adolescent Friendly Clinic Initiative (NAFCI) is a formal partnership between loveLife (program implementers) and the South African government. Existing financing for the program is provided through a public-private partnership between the South African Government and the Henry J. Kaiser Family Foundation in support of loveLife. This financing has enabled the Initiative to become established, and will continue. The Global Fund financing will enable the program to go to scale over five years – involving 20% of all public sector clinics.

The attachment or attachments to this Annex A set forth the main Program objectives, key indicators, intended results and targets and the planned Program budget applicable to the stated period or periods of the Program. The attachment or attachments to this Annex A shall be an integral part of this Annex A.

2. Goal:

To reduce HIV infection among South African adolescents by improving access and quality of service provision in the public sector through adolescent-friendly clinics.

3. Target Groups/Beneficiaries:

All 12-17 year olds attending public sector health facilities

4. Main Objectives:

1. Improve service quality and management efficiency in clinics
2. Upgrade adolescent services
3. Ensure participation of young people in positive lifestyle programs
4. Strengthen referral systems between NAFCI clinics and loveLife franchise holders (NGOs)
5. Expand participation of young people in program execution
6. Ensure that lessons learnt and management system improvement is generalized throughout the system
7. Evaluate impact as part of entire loveLife program

5. Planned activities

Expand and accelerate clinic participation in the National Adolescent Friendly Clinic Initiative (NAFCI)

Improve service quality and management efficiency in clinics

- Clinic recruitment and orientation
- Facilitate baseline quality assessment
- Staff values clarification and mentoring
- Skills audit, plan and training
- Management systems review and facilitated improvement
- District-wide process of improvement through lessons learnt and systems developed
- Clinic assessment and accreditation
- Continuing quarterly review

Upgrade adolescent services

- Establish a “chill room” in each clinic
- Install a loveLife information kiosk in clinic waiting room
- Upgrade clinic-based sports and recreational facilities

Ensure participation of young people in positive lifestyle programs

- Extend loveLife's positive sexuality, motivational, debating and recreational programs to all NAFCI clinics

Strengthen referral systems between NAFCI clinics and loveLife franchise holders (NGOs)

- Implement all loveLife positive lifestyle programs on community/geographic basis, rather than institutional one
- Involve surrounding schools and communities in positive lifestyle programs

Expand participation of young people in program execution

- Locate two loveLife groundBREAKERS in each clinic
- Provide training and systematic supervision of groundBREAKERS

Ensure that lessons learned and management system improvement is generalized through system

- Design and implement systematic process of feedback to district and provincial managers
- Work with regional managers to facilitate broader implementation of systems improvements

Evaluate impact of program (as part of entire loveLife program)

- Monthly tracking of clinic statistics
- Annual survey of quality in (representative sample of) clinics throughout SA
- Nationally representative sample surveys – national trends and sentinel tracking around random sample of NAFCI clinics

6. Initial Country Coordinating Mechanism Members:

The composition of the Country Coordinating Mechanism may change from time to time. At the time of signing of this Agreement, the Country Coordinating Mechanism included representatives of:

- Office of the Presidency
- Department of Agriculture
- Department of Public Service and Administration
- Department of Provincial and Local Government
- Department of Labour
- Department of Arts, Culture, Science and Technology
- Department of Transport
- Department of Correctional Services
- Department of Social Development
- Department of Health
- Department of Education
- Department of Defence
- Department of Minerals and Energy
- People living With AIDS (from Positive Women's Network)
- National House of Traditional Leaders
- Academic Sector (from University of Cape Town)
- Human and Legal Rights Sector (from University of the Witwatersrand)
- Sport Sector (from Novartis South Africa)
- Youth (from AIDS Foundation of South Africa)
- Men (from LifeLine)
- Women (from Women in Partnership against AIDS)
- NGOs (from Progressive Primary Health Care – Kwa-Zulu Natal)
- Religious Sector (from South African Catholic Bishops Conference)
- Disabled persons (member of Parliament for Disabled Persons)
- Labour Sector (from Federation of Unions of South Africa, National Council of Trade Unions and Congress of South African Trade Unions)

8. Technical Partners include:

- National and provincial departments of Health
- Henry J. Kaiser Family Foundation (USA)
- University of California (San Francisco)

B. Conditions Precedent to Disbursement

1. Conditions Precedent to First Disbursement (Terminal Date as stated in block 6A of the Face Sheet)

Before first disbursement under the Grant, the Principal Recipient will, except as the Global Fund and the Principal Recipient may otherwise agree in writing, furnish to the Global Fund, in form and substance satisfactory to the Global Fund,

- a. a statement confirming the bank account into which the Grant funds will be disbursed and from which the Principal Recipient shall draw funds to implement the Program;
- b. a letter signed by the Authorized Representative of the Principal Recipient setting forth the name, title and authenticated specimen signature of each person authorized to sign disbursement requests under Article 6 of the Standard Terms and Conditions of this Agreement and, in the event a request for disbursement may be signed by more than one person, the conditions under which each may sign.
- c. A statement identifying other departments within the Government of the Republic of South Africa who will receive Grant funds and act on behalf of the Principal Recipient under the Grant Agreement, together with a description of their roles and responsibilities;
- d. Evidence that the Principal Recipient has entered into a contractual agreement with each Sub-Recipient that describes in detail the Sub-Recipient's role in the implementation of the Program;
- e. An organizational chart describing the roles of all parties with responsibility for implementation of the Program; and
- f. Evidence that the Government of the Republic of South Africa will accord the exemptions from taxes and duties specified in Article 4 of this Agreement.

2. Conditions Precedent to Second Disbursement for : (Terminal Date in block 6B of the Face Sheet)

Before second disbursement under the Grant, the Principal Recipient will, except as the Global Fund and the Principal Recipient may otherwise agree in writing, furnish to the Global Fund, in form and substance satisfactory to the Global Fund

- a. a plan for the monitoring and evaluation of the performance of the Program;
- b. evidence by means of an assessment of the Principal Recipient's monitoring and evaluation plan and capacity that it can satisfactorily monitor and evaluate the implementation of the program and the achievement of its objectives;

C. Forms Applicable to this Agreement

Unless the Principal Recipient and the Global Fund agree otherwise in writing:

1. For purposes of Article 6, "Disbursements," the Principal Recipient will use Sections 1 and 3 and Appendix 1 of the Global Fund form entitled, "Disbursement Request and Progress Update" , available upon request from the Global Fund.

2. For purposes of Article 13b(1), "Periodic Reports," the Principal Recipient will use Section 2 of the Global Fund form entitled, "Disbursement Request and Progress Update", available upon request from the Global Fund.

D. Special Terms and Conditions for this Agreement:

1. The Principal Recipient will provide evidence by means of assessments carried out that confirm the capacity of the sub-recipients to carry out the program.
2. Notwithstanding its role as Additional Representative, the National Department of Health shall be deemed to be a Sub-recipient under Articles 10, 7, 15, 17, 18 and 25 of this Agreement.

**Attachment 1 to Annex A
Intended Program Results and Budget**

Country: South Africa
Program Title: Strengthening national capacity for treatment, care and support related to HIV and TB, building on successful behavior change initiatives in South Africa.
Grant Number: SAF-102-G02-C-00
Disease: HIV/AIDS and TB
Principal Recipient: The National Treasury of the Republic of South Africa
Period: August 1, 2003 to July 31, 2004

A. Main Program Objectives, Key Indicators and Intended Results/Targets

Main Programme Objective	Key indicators	Baseline	Quarter	Quarter 2	Quarter 3	Quarter 4	Year Target	Data Source
			1					
Expand and accelerate clinic participation in NAFCI	Clinics in which NAFCI operates / introduced	60	90	120	160	200	200	
							#	
							#	
Improve service quality and management efficiency in clinics	Clinic recruitment and orientation (clinics or staff)	60	90	120	160	200		
	Clinics with full quality assessment undertaken	40	70	100	130	180	180	
	Clinics equipped with chill rooms, loveLife kiosks, and clinic-based recreational activities	40	70	100	130	180	180	
Ensure participation of young people in positive lifestyle programs and in program execution	Number of young people regularly participating in each clinic	24000 pm	144000	192000	256000	288000	288000	
	Number of young people participating in program execution	900	1350	1800	2400	2700	2700	
	Number of groundbreakers appointed and trained	120	180	240	320	360	360	
Strengthen referral systems between NAFCI clinics and loveLife franchise holders	Number of loveLife positive lifestyle programs implemented	2 x 13-week modular cycles per clinic p.a	1st modular cycle initiated in each clinic	1st modular cycle completed in each clinic	1st cycle initiated in new clinics 2nd cycle introduced in existing clinics	1st cycle completed in new clinics 2nd cycle completed	2 x 13 week modular cycles per clinic p.a	

	Number of schools and communities involved in positive lifestyle programs (min)	120	180	240	320	360	360	
Lessons learnt and management system improvement	Evidence that lessons learnt and management system improvement is generalized through system	National survey of clinics 2003	-	-	National survey of clinics 2004 initiated	National survey of clinics analysed	National survey of clinics 2004 published	
	Mechanism developed for feedback to district and provincial managers	District management teams participate in roll-out	District management teams participate in roll-out	District management teams participate in roll-out	District management teams participate in rollout	District management teams participate in rollout	District management teams participate in rollout	
Impact Evaluation of program	Service utilization system in place	Clinical service attendance indicators available in each clinic	Clinical service attendance indicators available in each clinic	Clinical service attendance indicators available in each clinic	Clinical service attendance indicators available in each clinic	Clinical service attendance indicators available in each clinic	Clinical service attendance indicators available in each clinic	
	Behaviour change surveys conducted thru community based surveys	First Sentinel surveillance analysed	First sentinel surveillance published	-	-	-	Baselines for sentinel surveillance in place	
	HIV prevalence surveys conducted comparing clinic communities to controls over time	First Sentinel surveillance analysed	First sentinel surveillance published	-	-	-	Baselines for sentinel surveillance in place	

Planned Program Budget –

	Year 1				Year 1	Year 2
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total	Total
Budget for the Period						
1. Human resources	283,060	283,060	283,060	283,060	1,132,240	1,496,000
2. Logistics and supplies	233,120	116,319	116,319	116,319	582,077	1,214,824
3. Training and supervision	172,000	172,000	172,000	172,000	688,000	849,035
4. Outreach services	487,133	487,133	649,511	649,511	2,273,287	1,596,471
5. Data and information systems	134,666	134,666	66,667	66,667	402,666	217,647
6. Media products	301,333	301,333	301,333	301,333	1,205,332	342,421
TOTALTOTAL	1,611,312	1,494,511	1,588,890	1,588,890	6,283,602	5,716,398