

ANNEX A to the PROGRAM GRANT AGREEMENT

Program Implementation Description

Country:	Kingdom of Lesotho
Program Title:	Lesotho's program for scaling-up HIV/AIDS prevention, care and treatment interventions and a viable health system for their implementation
Grant Number:	LSO-506-G03-H
Disease:	HIV/AIDS
Principal Recipient:	Ministry of Finance and Development Planning of the Government of the Kingdom of Lesotho

Capitalized terms and acronyms used but not defined in this Annex A or the attachments to this Annex A have the meaning given to them in the Standard Terms and Conditions of this Agreement.

In the event of any conflict between the terms of this Annex A and any provision of the Standard Terms and Conditions of this Agreement, the terms of this Annex A shall prevail.

A. PROGRAM DESCRIPTION

1. Background and Summary:

At 23.2%, Lesotho has the third highest adult HIV prevalence in the world, with an estimated 270,273 people living with HIV as of late 2007, with 11,801 of them being children. Each day, there are an estimated 62 new HIV infections and 50 deaths due to AIDS in Lesotho. HIV prevalence continues to be higher among women, with an estimated 153,581 women infected compared to 116,692 men. HIV/AIDS is currently the leading cause of morbidity and mortality in the country and accounts for more than half of all hospital admissions. HIV/AIDS is also a major contributor to tuberculosis (TB) infection, with 54% of TB patients in Lesotho estimated to be HIV-positive. The "3 by 5" scale-up plan estimates that there are up to 56,000 HIV-infected individuals currently in need of antiretroviral treatment (ART). More than half of the country's population lives below the poverty line, and more than one-third of households are food insecure. The HIV/AIDS epidemic has had a significant social and economic impact on the country. Some 150,000 children have been orphaned due to AIDS. The World Bank estimates that by 2015 the national GDP will be reduced by one-third as a result of HIV/AIDS.

There are currently three Global Fund-funded HIV/AIDS Programs in Lesotho. A Round 2 HIV/AIDS Program (LSO-202-G01-H-00), which came to an end in December 2008,, focused on HIV/AIDS prevention, HIV testing and counseling (HTC), access to antiretrovirals (ARVs) and training of health care workers. The Round 7 grant is intended to complement the current level of support by reaching additional children as well as addressing other national priorities articulated in the National Plan of Action for Orphans and other Vulnerable Children for the period 2006-2010. In addition, a significant component will be directed to the expansion of Preventing Mother-to-Child Transmission (PMTCT), thereby increasing the number of facilities that are able to offer PMTCT services.

This Round 5 Program builds on the activities of Round 2 grant, with a focus on scaling up ART, expanding and promoting access to HTC at all levels, improving post-exposure prophylaxis (PEP) for care providers, health care workers, and victims of sexual assaults, and providing psychosocial support to the HIV infected and affected persons. Another focus is on the improvement of

Information, Education and Communication (IEC) for HIV care and treatment, as well as integrating it with TB care in order to improve access to services for at least 60% of women and 50% of youth and people living in rural areas. In addition, the Program focuses on strengthening integrated management of diseases linked to HIV infection, such as the sexually transmitted infections (STI), TB and other opportunistic infections (OI), as well as on prevention activities for key groups at risk of TB–HIV co-infection.

The Grant funds are also used for health infrastructure development and support, including financial support for specific health cadres both within the Ministry of Health and Social Welfare (MOHSW) and in communities, as well as for the strengthening of the procurement and supply management system for service delivery. The main focus of the country's Health Sector Reform Program is to strengthen decentralized services in order to bring increased access to essential health services and care to the community level, thus easing the care providers' burden at home.

2. **Goal:**

To reduce the spread of HIV and AIDS, reduce morbidity and mortality, and mitigate the social and economic impact of the epidemic.

3. **Target Group/Beneficiaries:**

- At-risk groups (marginalized groups, confined groups, alcohol and drug users);
- Vulnerable groups (young people, pregnant women, TB/STI patients, domestic workers);
- Rural populations;
- People Living With HIV/AIDS and or TB; and
- The general population of Lesotho.

4. **Strategies:**

- HIV Testing and Counseling (HTC);
- Post-Exposure Prophylaxis (PEP);
- Information systems and operational research;
- TB/HIV collaborative activities: HIV care and support for HIV-positive TB patients; and
- Human resources support and infrastructure development.

5. **Planned Activities:**

- Expand HTC to rural populations;
- Expand and strengthen HTC and post-test care and support services in the public, private and civil society/Non-Governmental Organizations (NGO) sectors;
- Provide quality treatment of HIV, STI, and OI in the public, private and NGO sectors;
- Strengthen health systems that support the scaling up of coordinated HIV, TB and STI interventions;
- Expand access to HIV/AIDS and TB care and make such care available outside of the district hospitals, targeting community centers;
- Improve PEP for health care workers, care providers and victims of sexual assault;
- Provide integrated HIV/TB/STI management according to national guidelines;
- Build capacity of the primary health sector care infrastructure to meet these goals by hiring new staff, offering a supplement to the employed health workers and providing allowances for community based workers; and

- Train health providers in the integrated management of HIV/TB/STI.

B. CONDITIONS PRECEDENT TO DISBURSEMENT

1. Condition(s) Precedent to First Disbursement in Phase 1 (Terminal Date as stated in block 7A of the Face Sheet)

The first disbursement of Grant funds in Phase 1 is subject to the satisfaction of each of the following conditions:

a. the delivery by the Principal Recipient to the Global Fund of a statement confirming the bank account into which the Grant funds will be disbursed as indicated in block 10 of the face sheet of this Agreement;

b. the delivery by the Principal Recipient to the Global Fund of 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 10 of the Standard Terms and Conditions of this Agreement and, in the event a disbursement request may be signed by more than one person, the conditions under which each may sign;

c. the delivery by the Principal Recipient to the Global Fund of a detailed and descriptive Organogram, in form and substance satisfactory to the Global Fund, of the various units involved in the implementation of the Grant, specifying, without limitation, the roles and responsibilities of, and relationships between, the National AIDS Commission (NAC) (the principal Sub-recipient of the Round 2 HIV grant, Grant no. (LSO-202-G01-H-00)) and the Ministry of Health and Social Welfare (MOHSW), which structure is expected to ensure effective Program coordination and implementation (including demonstrating proposals for improved coordination between units, the maintaining of audit trails and improved information sharing and communication among all units concerned with the Program activities or otherwise involved in the implementation of the Grant).

d. the delivery by the Principal Recipient to the Global Fund of evidence, to the satisfaction of the Global Fund, that it has appointed, under terms of reference acceptable to the Global Fund, the following personnel, with appropriate experience and qualifications:

- (i) M&E Manager (M&E Unit)
- (ii) M&E Advisor (M&E Unit)
- (iii) Data Capturer (M&E Unit)
- (iv) Administrator (Global Fund Coordination)
- (v) Field Accountant (Global Fund Coordination)
- (vi) 10 HIV/AIDS district officers (HIV/AIDS Program)
- (vii) Senior Finance Officer within the Principal Recipient or MOHSW (as applicable) who will be responsible for, and involved in, activities related to the Global Fund
- (viii) 2 procurement officers to the Procurement Unit of the Principal Recipient; and

e. the delivery by the Principal Recipient to the Global Fund of evidence, to the satisfaction of the Global Fund, that the Government of Lesotho has accorded the exemptions from taxes and duties referred to and identified in Article 12(a) of the Standard Terms and Conditions of this Agreement.

2. Condition(s) Precedent to Second Disbursement in Phase 1 (Terminal Date as stated in block 7B of the Face Sheet)

The second disbursement of Grant funds in Phase 1 is subject to the satisfaction of each of the following conditions:

a. the delivery by the Principal Recipient to the Global Fund, in a form and substance satisfactory to the Global Fund, of a revised plan for the monitoring and evaluation of Program activities, consistent (and which demonstrates such consistency), with the national M&E Plan of the Government of Lesotho for HIV/AIDS; and

b. the delivery by the Principal Recipient to the Global Fund, in a form and substance satisfactory to the Global Fund, of the completed “M&E Systems Self-Assessment Tool–Checklist to Assess Program/Projects”, with respect to the Program.

3A. Condition(s) Precedent to Disbursement for Procurement of Pharmaceutical Products (as defined in Article 19 of the Standard Terms and Conditions) in Phase 1 (Terminal Date as stated in block 7C of the Face Sheet)

The disbursement by the Global Fund or use by the Principal Recipient of Grant funds to finance the procurement of Pharmaceutical Products in Phase 1 is subject to the following condition:

a. the delivery by the Principal Recipient to the Global Fund of evidence, to the satisfaction of the Global Fund, that the Management Information Systems (MIS) of the Principal Recipient with respect to the Program have been fully assessed to the satisfaction of the Global Fund and are adequate and appropriate for the purposes of the Program.

3B. Condition(s) Precedent to Disbursement for Procurement of Health Products (as defined in Article 19 of the Standard Terms and Conditions) in Phase 1 (Terminal Date as stated in block 7C of the Face Sheet)

The disbursement by the Global Fund or use by the Principal Recipient of Grant funds to finance the procurement of Health Products in Phase 1 is subject to the following conditions:

a. the delivery by the Principal Recipient to the Global Fund of evidence, to the satisfaction of the Global Fund, that responsibility for the storage and distribution systems with respect to ARVs have been effectively transferred from the HIV/AIDS Health Product Coordinating Office (HAHPCO) to the National Drugs and Service Organization (NDSO), and that such storage and distribution systems are adequate and appropriate; and

b. the delivery by the Principal Recipient to the Global Fund of evidence, to the satisfaction of the Global Fund, that a Procurement and Supply Management (PSM) coordinating function has been established and that specific roles and responsibilities for all relevant parties (including, without limitation, the Global Fund Coordination Unit, the Procurement Unit of the Principal Recipient, NDSO, HAHPCO, MOHSW and STI/HIV & AIDS Directorate) have been agreed and documented.

3C. Condition(s) Precedent to Disbursement for Procurement of Pharmaceutical and Health Products (as defined in Article 19 of the Standard Terms and Conditions) in Phase 2 (Terminal Date as stated in block 7D of the Face Sheet)

Prior to disbursement by the Global Fund or use by the Principal Recipient of Grant funds to finance the procurement of pharmaceutical and health products (as defined in Article 19 of the Standard Terms and Conditions of this Agreement) in Phase 2, the Principal Recipient shall provide to the Global Fund, in form and substance satisfactory to Global Fund:

- (a) a revised plan for the procurement, use and supply management of both the Pharmaceutical and Health Products for the Program (the “PSM Plan”) providing further justifications and supporting documentation as well as narrative explanation regarding the ARV forecasting, taking into account the current stock levels in the country, more realistic pricing models and possible consolidation of the antiretroviral drugs procurement with the Government of Lesotho;
- (b) a revised PSM Plan including justification for direct contracting method for laboratory supplies, factual description of the reasons behind direct contracting for each category of product and the supporting documentation thereof, including the names of suppliers, copies of specific agreements concluded and anticipated value of such procurement; and
- (c) evidence of adequate storage and distribution capacity of the pharmaceutical products at the central levels in view of the ARV rollout.

3D. Condition(s) Precedent to Disbursement for Procurement of anti-retroviral drugs in Phase 2 (Terminal Date as stated in block 7E of the Face Sheet)

Prior to disbursement or use of Grant funds to finance the procurement of ARVs, the Principal Recipient shall provide to the Global Fund, in form and substance satisfactory to the Global Fund, evidence that a Task Force team has been formed with a mandate to analyze the prevailing weaknesses in the ARV patient and drug management systems and to formulate Strategy and Action Plan, with realistic timeframes and verifiable milestones, aimed at the implementation of:

- (a) an appropriate patient management system for the persons receiving the ARVs; and
- (b) an effective plan for monitoring of the ARV consumption data and forecasting.

The Strategy and Action Plan shall further specify the following:

- how will the patient management and drug management systems be fully integrated for the purpose of comprehensive ARV monitoring and data quality auditing;
- which ARV sites will continue to use manual systems, which sites will have computerized systems in place and how will the information be compiled for the national level reporting purposes on ART rollout; and
- whether the procurement of ARVs will be implemented in a consolidated manner between the Government of Lesotho, Global Fund grants, Clinton Foundation, UNICEF and other donors.

C. SPECIAL CONDITIONS

1. The Global Fund may waive, in its absolute discretion, any of the conditions precedent referred to in this Annex A, on such terms as it deems fit.
2. The Principal Recipient, at the same time as it submits each Programmatic Progress Report and Update and/or each Request for Disbursement under this Agreement, shall also provide details as to progress being made in Lesotho with regard to the development and implementation of the national electronic M&E database for HIV/AIDS.
3. The Principal Recipient shall provide to the Global Fund, in addition to the documents and reports referred to in the Standard Terms & Conditions of this Agreement, a periodic review, at 6-monthly intervals, of grant management and capacity issues relating to Program

activities, the first such review being due 6 months after the Phase 1 Starting Date, as stated in block 5 of the Face Sheet.

4. The Principal Recipient shall provide to the Global Fund, in form and substance satisfactory to the Global Fund, quarterly reports on the implementation of the Strategy and Action Plan to address the ARV patient and drug management systems for verification of achievement against the milestones as described in section 3D above. The timeframe for the Action Plan to make the ARV patient and drug management systems fully integrated and operational shall not go beyond 31 December 2009.
5. No later than 31 May 2009, the Principal Recipient shall provide to the Global Fund, in form and substance satisfactory to the Global Fund, the Operational and Financial Report on the construction of ART centers completed during Phase 1 and discontinued during Phase 2 as another donor has taken over the same project at larger, national scale.

D. FORMS APPLICABLE TO THIS AGREEMENT

For purposes of Article 15b(i) of the Standard Terms and Conditions of this Agreement entitled “Periodic Reports,” the Principal Recipient shall use the “On-going Progress Update and Disbursement Request”, available from the Global Fund upon request.

F. ANTICIPATED DISBURSEMENT SCHEDULE

For the purposes of Article 10a of the Standard Terms and Conditions of this Agreement, the anticipated disbursement schedule for the Program shall be quarterly starting from the Phase 1 Starting Date and semi-annually starting from programmatic period 9 (1 November 2009 – 30 June 2009).