Project Agreement

(Punjab Health Sector Reform Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

both acting as administrator of the Health Results Innovation Trust Fund

and

PROVINCE OF PUNJAB

Dated July 9, 2014
PROJECT AGREEMENT

AGREEMENT dated ______________ , 2014, entered into between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT and the INTERNATIONAL DEVELOPMENT ASSOCIATION ("World Bank"), both acting as administrator of the Health Results Innovation Trust Fund ("HRITF") and the PROVINCE OF PUNJAB ("Punjab") in connection with the Grant Agreement ("Grant Agreement") of same date between and the World Bank and the ISLAMIC REPUBLIC OF PAKISTAN ("Recipient"). The World Bank and the Project Implementing Entity hereby agree as follows:

ARTICLE I — STANDARD CONDITIONS; DEFINITIONS

1.01. The Standard Conditions (as defined in the Appendix to the Grant Agreement) constitute an integral part to this Agreement. To this end, all obligations and responsibilities of the Recipient set forth in Sections 4.02 through 4.06 of Article IV, and Articles V, VI and VII of the Standard Conditions, as well as any references therein to the Grant Agreement, shall be construed, mutatis mutandis, as obligations and responsibilities of Punjab, and references to this Project Agreement respectively.

1.02. Unless the context requires otherwise, the capitalized terms used in this Project Agreement have the meanings ascribed to them in the Grant Agreement (including the Appendix thereto) or the Standard Conditions.

ARTICLE II — PROJECT

2.01. Punjab declares its commitment to the objectives of the Project. To this end, Punjab shall: (i) carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, technical, economic environmental and social standards and practices satisfactory to the World Bank; and (ii) provide promptly as needed, the funds, facilities, services and other resources required for the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the World Bank and Punjab shall otherwise agree, Punjab shall carry out the Project in accordance with the provisions of the Schedule to this Agreement, and Article II of the Standard Conditions.
ARTICLE III — TERMINATION

3.01. This Agreement shall come into force and effect on the date upon which the Grant Agreement becomes effective.

3.02. This Agreement and all obligations of the World Bank and Punjab thereunder shall terminate on the date on which the Grant Agreement shall terminate in accordance with its terms, and the World Bank shall promptly notify Punjab thereof.

3.03. Unless otherwise terminated pursuant to Section 3.02 above, all the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation, suspension or refund under the Standard Conditions, for a period of ten (10) years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. Punjab’s Representative is the Secretary to the Government of Punjab, Health Department.

4.02. The World Bank’s Address is:

International Bank for Reconstruction and Development/
International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable: Telex: Facsimile:
INDEVAS 248423(MCI) 1-202-477-6391
Washington, D.C.

4.03. Punjab’s Address is:

Health Department, Punjab Civil Secretariat
Lahore, Punjab
Islamic Republic of Pakistan

Facsimile:
(92) 0429211710
AGREED at Islamabad, Islamic Republic of Pakistan, as of the day and year first above written.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT and
INTERNATIONAL DEVELOPMENT ASSOCIATION
Both acting as administrator of the Health Results Innovation Trust Fund

By

Authorized Representative

Name: REYNOLD DUNCAN
Title: OPERATIONS ADVISER

PROVINCE OF PUNJAB

By

Authorized Representative

Name: DR. IJAZ MUNIR
Title: SECRETARY HEALTH
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Punjab shall establish by no later than two (2) weeks after the date of this Agreement, and thereafter maintain, throughout the period of implementation of the Project, a steering committee ("Provincial Steering Committee") headed by the Chairman of Punjab’s Planning and Development Board, and comprised of representatives from, *inter alia*, Punjab’s Planning and Development Department, Finance Department, DoH, PHSRP. The Provincial Steering Committee shall be assigned with functions, responsibilities, staff and resources, in each case satisfactory to the World Bank, as shall be required for the overall strategic policy guidance, interdepartmental coordination and oversight support to the implementation of the Project.

2. Punjab shall establish by no later than two (2) weeks after the date of this Agreement, and thereafter maintain, throughout the period of implementation of the Project, a technical committee ("Health Technical Committee") under the Secretary of Health within DoH with functions, responsibilities, staff and resources, in each case satisfactory to the World Bank, as shall be required for overall coordination and planning of Project activities.

3. Punjab shall maintain, throughout the period of implementation of the Project, the PHSRP within DoH with functions, responsibilities, staff and resources, in each case satisfactory to the World Bank, as shall be required for, *inter alia*: (a) coordinating with sub departments within the DoH; (b) liaising with Punjab’s Finance and Planning and Development Departments, and development partners; (c) preparing all Project documentation, including periodic financial statements and accounts, monitoring EEP, reporting on Project implementation progress and progress in achieving DLIs and; (e) ensuring compliance with, procurement, financial management and environmental and medical waste management arrangements. To this end, Punjab shall, by no later than three (3) months after the Effective Date, appoint to PHSRP and maintain, throughout the period of implementation of the Project, an environmental specialist, with qualifications, experience and terms of reference acceptable to the World Bank.

4. Punjab shall establish and thereafter maintain, throughout the period of implementation of the Project, within the PHSRP a management unit with functions, responsibilities, staff and resources, in each case satisfactory to the World Bank, as shall be required for the implementation of Parts 4.1 and 4.2 of the Project.
5. Punjab shall maintain in each district, throughout the period of implementation of the Project, an Executive District Officer (Health) ("EDOH") or any other official accorded similar functions, agreed with the World Bank, to be responsible for, *inter alia*: (a) preparing district plans and budgets; (b) organizing meetings of district review committees; (c) preparing selected development schemes; (d) supervising and monitoring of health activities at the district level; (d) managing intra district transfers and postings; (e) acting as focal point for providing institutional data and information; (f) supervising the performance of contractors providing health care services under Part 2.1 of the Project, including their compliance with the environmental and social requirements set forth in Section I.C of this Schedule; (g) executing the performance management contracts entered into with DoH under Part 2.2 of the Project.

**B. Anti-Corruption**

Punjab shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

**C. Safeguards**

Punjab shall ensure that the activities under the Project are carried out in accordance with the provisions of the EMWMP, the objectives, policies and procedures thereof, and the social and environmental mitigation measures and monitoring requirements provided therein including any and all plans, acceptable to the World Bank, developed thereunder.

**D. Health Service Packages**

Punjab shall: (a) by no later than December 31, 2013, approve a package of essential health care services to be provided/delivered at the primary level; and (b) by no later than December 31, 2014, approve a package of essential health care services to be provided/delivered at the secondary level.

**E. Performance Reviews**

Punjab shall ensure that: (a) EDOHs conduct a semi-annual review of the performance of the contractors providing health care services under Part 2.1 of the Project on the basis of indicators set forth in the result-based agreement entered into with such contractors and acceptable to the World Bank; (b) DGHS conducts a semi-annual review of the District Health Offices under the performance management contracts under Part 2,2 of the Project on the basis of a scorecard acceptable to the World Bank; (c) the results of these reviews are made publicly available by no later than two (2) months after the end of the Fiscal Year, in a manner acceptable to the World Bank.
F. Annual Health Report and Health Facility Assessment

Punjab shall: (a) prepare an annual health report, covering *inter alia*, overall progress of key outcomes and deliverables during the Fiscal Year; performance analysis disaggregated by districts on key performance indicators, new initiatives and financial outcomes; (b) conduct an annual health facility assessment to monitor service delivery performance; both in form and substance acceptable to the World Bank; and (c) make publicly available the data/results of such report and assessment, by no later than two (2) months after the end of the Fiscal Year, in a manner acceptable to the World Bank.
G. Results Based Financing Pilots; Vouchers Scheme; Insurance Scheme

1. Punjab shall prepare and adopt manuals ("RBF Manual", "Vouchers Manual", "Insurance Manual", collectively referred to as "Manuals"), in form and substance satisfactory to the World Bank, for: (a) carrying out Part 4.1 of the Project containing detailed arrangements and procedures for, inter alia: (i) the method for calculating the Performance Incentives based on the provision of the Package of Health Services to be provided by the health facilities in selected districts; (ii) supervision, monitoring, evaluation, reporting, flow of funds; (iii) verification of the services delivered at the health facilities; and (iv) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the pilots under Part 4.1 of the Project; (b) carrying out Part 4.2 (i) of the Project containing detailed arrangements and procedures for, inter alia: (i) criteria for determining the eligible beneficiaries and the method for calculating the Subsidies based on the services provided to beneficiaries from the public or private sector; (ii) supervision, monitoring, evaluation, reporting, flow of funds; and (iii) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the vouchers scheme under Part 4.2 (i) of the Project; and (c) carrying out Part 4.2 (ii) of the Project containing detailed arrangements and procedures for, inter alia: (i) criteria for determining the eligible beneficiaries and the method for calculating the levels of the Premiums-subsidies based on the services provided to beneficiaries from the public or private sector; (ii) supervision, monitoring, evaluation, reporting, flow of funds; and (iii) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the insurance/social protection scheme under Part 4.2 (ii) of the Project.

2. Punjab shall ensure that Parts 4.1 and 4.2 of the Project are carried out in accordance with the arrangements and procedures set out in the Manuals (provided, however, that in case of any conflict between the arrangements and procedures set out in any of the Manuals and the provisions of this Agreement, the provisions of this Agreement shall prevail), and shall not amend, abrogate or waive, or permit to be amended, abrogated or waived, the Manuals or any of its provisions without prior approval by the World Bank.

H. Results Based Payments

1. For the purpose of carrying out Part 2.2 of the Project, Punjab, through DoH shall make Result Based Payments to District Health Offices in accordance with procedures acceptable to the World Bank, and shall make no Result Based Payment to any District Health Facility unless such payment satisfies the conditions for payment specified in this Agreement and the respective Performance Management Contract.
2. Punjab shall make each Results Based Payment under a Performance Management Contract between DoH and the respective District Health Office on terms and conditions approved by the World Bank, which, *inter alia*, shall include the following:

(a) The Performance Management Contract shall specify the performance targets to be achieved by the District Health Office, including the packages of health services to be delivered.

(b) The Performance Management Contract shall specify the arrangements for verification of the performance of the District Health Office.

(c) The Performance Management Contract shall specify the maximum amounts of the Results Based Payments payable against the performance targets specified in the Performance Management, the periodicity of payments, the conditions for payments and the methodology for determining the amount of payments during each payment period.

(d) The Results Based Payment shall be made on a non-reimbursable grant basis.

(e) Punjab, through DoH shall obtain rights adequate to protect its interests and those of the Recipient and the World Bank, including the right to:

(i) suspend or terminate the right of the District Health Office to use the proceeds of the Results Based Payments, or obtain a refund of all or any part of the amount of the Results Based Payments then withdrawn, upon the District Health Office’s failure to perform any of its obligations under the Performance Management Contract; and

(ii) require each District Health Office to:

(A) carry out the activities under Part 2.2 of the Project with due diligence and efficiency and in accordance with sound public health, environmental and social and administrative standards and practices acceptable to the World Bank, including in accordance with the EMWMP and the Anti-Corruption Guidelines;

(B) provide promptly, as needed, the resources required for the purpose;
(C) use the proceeds of the Results Based Payments for eligible expenditures specified in the Performance Management Contract;

(D) procure any goods, and/or services required for the activities under Part 2.2 of the Project and to be financed out of the proceeds of the Results Based Payments in accordance with the provisions of Section III of this Schedule, as further elaborated in the Performance Management Contract;

(E) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the World Bank, the progress of the implementation of the activities under Part 2.2 of the Project and the achievement of its objectives;

(F) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect its operations, resources and expenditures, including those related to the Result Based Payment; and (2) at the World Bank’s or the Recipient’s or Punjab’s request, have such financial statements audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank, and promptly furnish the statements as so audited to the World Bank, the Recipient and Punjab;

(G) enable the World Bank, the Recipient and Punjab to inspect its facilities, operations and any records and documents relevant to the activities under Part 2.2 of the Project; and prepare and furnish to the World Bank, the Recipient and the Punjab all such information as either shall reasonably request relating to the implementation of the activities under Part 2.2 of the Project;

(H) permit the World Bank to make the Performance Management Contract and all financial statements audited pursuant to sub-paragraph (F) above available to the public in accordance with the World Bank’s policies on access to information; and
(I) prepare and furnish to Punjab, the Recipient and the World Bank all such further information as Punjab, the Recipient or the World Bank shall reasonably request relating to the foregoing.

3. Punjab shall exercise its rights and perform its obligations under each Performance Management Contract in such manner as to protect the interests of Punjab, the Recipient and the World Bank and to accomplish the purposes of the Financing. Except as the World Bank and the Recipient shall otherwise agree, Punjab shall not assign, amend, abrogate or waive any Performance Management Contract or any of its provisions.

I. Donor Visits

For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, enable the representatives of the donors to visit any part of the Recipient’s territory for purposes related to the Project.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. Punjab shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each such Project Report shall cover the period of one calendar semester (July through December and January through June), and shall be furnished to the Recipient and the World Bank not later than December 15 and June 15, respectively.

2. Punjab shall: (a) on or about the date eighteen (18) months after the Date of this Agreement, prepare and furnish to the Recipient and World Bank a mid-term report, in such detail as the World Bank shall reasonably request, documenting progress achieved in the carrying out of the Project during the period preceding the date of the mid-term report, taking into account the monitoring and evaluation activities performed pursuant to paragraph 1 of this Part A, and setting out the measures recommended to ensure the continued efficient carrying out of the Project and the achievement of its objectives during the period following such date; and (b) review with the World Bank the mid-term report, on or about the date one month after its submission, and thereafter take all measures required to ensure the continued efficient implementation of the Project and the achievement of its objectives, based on the conclusions and recommendations of the mid-term report and the World Bank’s views on the matter.
B. Financial Management, Financial Reports and Audits

1. Punjab shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations and financial condition of Punjab, including the operations, resources and expenditures related to the Project.

2. Without limitation on the provisions of Part A of this Section, Punjab shall prepare and furnish to the World Bank the interim financial reports ("IFR"):

   (a) by no later than January 31 of each year, commencing on January 31, 2015, an IFR for the Project, in form and substance satisfactory to the World Bank, covering the immediately preceding six-month period (i.e. July through December) of Project activities; and

   (b) by no later than July 31 of each year, commencing on July 31, 2014, an IFR for the Project, in form and substance satisfactory to the World Bank, covering the immediately preceding six-month period (i.e. January through June) of Project activities.

3. Punjab shall have its financial statements referred to above audited by independent auditors acceptable to the Word Bank, in accordance with consistently applied auditing standards acceptable to the World Bank. Each audit of these financial statements shall cover the period of one Fiscal Year. Punjab shall ensure that the audited financial statements for each period shall be:

   (a) furnished to the Recipient and the World Bank not later than six (6) months after the end of the period; and
   
   (b) made publicly available in a timely fashion and in a manner acceptable to the World Bank.

4. Punjab shall have prepared an implementation plan for strengthening the financial management capacity of the DoH, in a form and substance satisfactory to the World Bank, and shall thereafter implement said plan in conformity with an agreed timetable, in a manner acceptable to the World Bank.

5. Punjab shall, by no later than three (3) months after the date of this Agreement, appoint to PHSRP and maintain, throughout the period of implementation of the Project, a financial management specialist, with qualifications, experience and terms of reference acceptable to the World Bank.

6. Punjab shall ensure that, by no later than six (6) months after the date of this Agreement, the internal audit unit within DoH shall have prepared a plan for periodic payroll audits, in a form and substance satisfactory to the World Bank, and shall thereafter implement said plan in conformity with an agreed timetable,
in a manner acceptable to the World Bank. Punjab shall ensure that the periodic payroll audit reports prepared in accordance with said plan shall be furnished to the World Bank not later than two (2) months after the end of the Fiscal Year.

Section III. Procurement

1. All goods and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the provisions of Section III of Schedule 2 to the Grant Agreement.

2. Punjab shall:

   (a) establish, by no later than six (6) months after the date of this Agreement, and thereafter maintain throughout the period of Project implementation, a system for the handling of procurement complaints, in a manner and substance acceptable to the World Bank, which system shall include, inter alia, the maintenance of a complaint database, a standard protocol setting forth triggers for carrying out investigations, and a sanctions regime. Notwithstanding the foregoing, for any procurement done through International Competitive Bidding, the World Bank’s prescribed complaint redress mechanism shall apply; and

   (b) establish, by no later than six (6) months after the date of this Agreement, and thereafter maintain throughout the period of implementation of the Project, a procurement documentation and record keeping system, including a publicly accessible website, in a format agreed with the World Bank, showing, inter alia, the Project procurement plans, complete bidding documents, the status of procurement of various contracts (the summary of proposals/bid evaluations and awards), contract performance and payment delays, and a list of procurement complaints and status thereof.