Financing Agreement

(Additional Financing for Health Sector Development Program)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated JUNE 30, 2016
FINANCING AGREEMENT

AGREEMENT dated June 30, 2016, entered into between PEOPLE'S REPUBLIC OF BANGLADESH ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for the Original Project.

WHEREAS (A) under an agreement dated September 12, 2011, between the Association and the Recipient (Credit No. 4954-BD) ("Original Financing Agreement"), as amended, the Association agreed to provide to the Recipient a credit in an amount equivalent to two hundred twenty six million four hundred thousand Special Drawing Rights (SDR 226,400,000) ("Original Financing"), as subsequently amended to assist in financing the Original Project;

(B) under an agreement dated March 28, 2012, as amended, between the Recipient and the Association, acting as administrator of the Bangladesh Health Sector Development Program Multi-Donor Trust Fund (BHSDFP MDTF Grant No. TF011556 and USAID Trust Fund Grant No. TF012281) ("Original Grant Agreement") the Association agreed to provide to the Recipient: (i) a grant in the amount of three hundred twenty-four million two hundred eleven thousand and eighty-seven United States Dollars (US$324,211,087), as subsequently amended; and (ii) a grant from the United States Agency for International Development (USAID) in the amount of thirty-six million five hundred ninety-one thousand and six hundred fifty-five United States Dollars (US$36,591,655), as subsequently amended to assist in financing the Original Project;

(C) the Recipient has requested the Association to provide additional financial assistance for the Project; and

(D) the Association has agreed to extend such additional financing assistance to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE, the Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions.
ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to one hundred five million nine hundred thousand Special Drawing Rights (SDR 105,900,000) (variously, “Credit” and “Financing”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section III of Schedule 2 to this Agreement. The Recipient’s Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is the Secretary of the Ministry of Health and Family Welfare.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are June 15 and December 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project and the Program. To this end, the Recipient shall carry out the Project through MOHFW in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.
ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01 The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

4.02 For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. Except as provided in Section 2.02 of this Agreement, the Recipient’s Representative is the Senior Secretary/Secretary, any Additional Secretary, Joint Secretary, Joint Chief, Deputy Secretary, Deputy Chief, Senior Assistant Secretary, Senior Assistant Chief, Assistant Secretary or Assistant Chief of the Economic Relations Division of the Ministry of Finance.

5.02. The Recipient’s Address is:

Economic Relations Division
Ministry of Finance
Government of the People’s Republic of Bangladesh
Sher-E-Bangla Nagar
Dhaka-1207, Bangladesh

Facsimile: 880 2 9180671

5.03. The Association’s Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Telex: Facsimile:

248423 (MCI) 1-202-477-6391
AGREED at Dhaka, People's Republic of Bangladesh, as of the day and year first above written.

PEOPLE'S REPUBLIC OF BANGLADESH

By

[Signature]

Authorized Representative

Name: Kazi Shofiqul Azam

Title: Additional Secretary

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: ZAHID HUSSAIN

Title: ACTING COUNTRY DIRECTOR
SCHEDULE 1

Project Description

The objective of the Project is to enable the Recipient to strengthen its health systems and improve its health services, particularly for the poor.

The Project consists of the following parts:

Part 1: Improving Health Services

Provision of support for improving health, nutrition, and population services under the Health Population and Nutrition Sector Development Program through the financing of Eligible Expenditure Programs.

Part 2: Strengthening Health Systems

Provision of support for strengthening health systems under the Health Population and Nutrition Sector Development Program through the financing of Eligible Expenditure Programs.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The provisions of Sections I.A, I.C, and I.D of Schedule 2 to the Original Financing Agreement are incorporated herein and apply to this Agreement, mutatis mutandis, and the Recipient hereby undertake to comply with the provisions thereof to the same extent as if such provisions had been set out in full in this Agreement.

B. Anti-Corruption

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

C. Integrated Fiduciary Assessment Action Plan

Without limitations to the Recipient’s other obligations under this Agreement, and unless the Association shall otherwise agree in writing, the Recipient shall carry out the Project in accordance with its respective obligations under the Integrated Fiduciary Assessment Action Plan signed by the Recipient on September 06, 2015.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators acceptable to the Association. Each Project Report shall cover the period of one (1) year and shall be furnished to the Association not later than forty five (45) days after the end of the period covered by such report.

2. Without limiting the generality of the provisions of Part A.1 of this Section, the Recipient shall:

(a) undertake, at least every six (6) months, a Verification Process, in a manner satisfactory to the Association, and through, if applicable, an independent third party entity or entities engaged pursuant to subparagraph (b) below, to ascertain whether the DLRs have been achieved for the period under review;
(b) if and where required, engage a third party entity or entities for the purpose of verifying Disbursement Linked Results (DLRs), with qualifications, experience, and terms of reference satisfactory to the Association, to undertake the Verification Process referred to in sub-paragraph (a) above; and

(c) furnish to the Association corresponding verification reports, in form and substance acceptable to the Association.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each fiscal quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) year. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance 100% (inclusive of taxes) of Eligible Expenditure consisting only of Eligible Expenditure Programs up to the total DLR Values.

2. Without limitations to the provision to the provisions of Part A.1 above, the Recipient shall make withdrawals for Eligible Expenditure Programs under the Project on the basis of results (DLRs) achieved by the Recipient, as measured against specific indicators (“Disbursement Linked Indicators”, or “DLIs”) as described in the Attachment to this Schedule 2.
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

   (a) for payments made prior to the date of this Agreement; except that withdrawals up to an aggregate amount not to exceed SDR 42,340,000 may be made for payments made prior to this date but on or after July 31, 2015 for Eligible Expenditure Programs; and

   (b) unless and until the Recipient has furnished to the Association evidence, including the relevant Verification Process report(s) referred to in Section II.A.2 of this Schedule 2, satisfactory to the Association, that the respective DLR against which withdrawal is requested has been fully achieved.

2. Notwithstanding the provisions of Part B.1 of this Section:

   (a) if the Association is not satisfied that any DLR has been fully achieved then the Association may, at any time, by notice to the Recipient, decide to: (i) authorize the withdrawal of all or a portion of the unwithdrawn proceeds of the Financing then allocated to said DLR, at such later date (prior to the Closing Date) if and when the Association shall be satisfied, on the basis of evidence acceptable to the Association, that such DLR has been fully achieved; (ii) reallocate all or a portion of the proceeds of the Financing then allocated to such DLR to any other DLR(s); and/or (iii) cancel all or a portion of the proceeds of the Financing then allocated to such DLR;

   (b) with respect to the DLR Period current at the time of any withdrawal, in the event that a DLR for a subsequent DLR Period has been partially or fully achieved in such current DLR Period, the Association, may at any time, by notice to the Recipient, decide to authorize withdrawal of Eligible Expenditure Programs incurred in such current DLR Period of up to the DLR Value of the subsequent DLR Period achieved during such current DLR Period, and the DLR Value in the subsequent DLR Period shall be correspondingly reduced.

3. Notwithstanding the provisions of Parts B.1 and B.2 of this Section, withdrawals shall not exceed the lesser of: (a) the total DLI Value allocated to each DLR achieved up to the respective DLR Period; and (b) the amount of the Eligible Expenditure Programs incurred but not paid by the proceeds of the Financing as of the DLR Period for which payment is requested.

4. The Closing Date is June 30, 2017.
## ATTACHMENT TO SCHEDULE 2

### Disbursement Linked Indicators and Disbursement Linked Results

<table>
<thead>
<tr>
<th>Disbursement Linked Indicators (DLIs)</th>
<th>Disbursement Linked Results (DLRs) (with Baseline and Targets)</th>
<th>DLR Value (in SDR)</th>
</tr>
</thead>
</table>
| **DLI 1: Measles immunization rate**  | **DLR 1:** Percentage of children under the age of 12 months immunized against measles  
(Baseline: 86.1%)  
(Target: maintained at 86.1% or above) | 7,060,000 |
| **DLI 2: Deliveries in public facilities** | **DLR 2:** Number of normal deliveries in Public Health Facilities  
(Baseline 390,000 normal deliveries at Public Health Facilities)  
(Target: 400,000 normal deliveries at Public Health Facilities) | 7,060,000 |
| **DLI 3: Tuberculosis (TB) notification rate**  
for bacteriologically positive cases | **DLR 3:** Number of bacteriologically positive TB cases which are notified per 100,000 population in the period January to September 2016.  
(Baseline: 68 cases per 100,000)  
(Target: 69 cases per 100,000) | 14,120,000 |
| **DLI 4: Performance of District Health Information System (DHIS2)** | **DLR 4:** (a) Establishment of the baseline value for the number of Community Clinics (CCs) submitting routine data in a timely manner to DHIS2; and (b) number of CCs submitting routine data to DHIS2 in a timely manner until November 2016  
(Baseline: number of CCs submitting routine data to DHIS2, to be established)  
(Target: Additional 20 CCs submitting routine data in a timely manner to DHIS2 in November 2016 over the baseline)  
(a) 3,530,000; and  
(b) 3,530,000 | |
| **DLI 5: Strategic Investment Plan (SIP) for the health sector for the next five years** | **DLR 5:** SIP finalized and disseminated by MOHFW  
(Baseline: SIP being drafted)  
(Target: SIP finalized and disseminated) | 14,120,000 |
| DLI 6: Standard Guidelines for Medical Waste Management (MWM) | DLR 6: Formal dissemination of the approved Guidelines for Medical Waste Management (MWM) by Directorate General of Health Services (DGHS).  
(Baseline: Guidelines for MWM being drafted)  
(Target: Guidelines for MWM approved and disseminated) | 14,120,000 |
| DLI 7: Medical waste management in district hospitals | DLR 7: Number of district hospitals which have earmarked sites for temporary storage of medical waste  
(Baseline: 10 district hospitals)  
(Target: 15 district hospitals) | 2,118,000 |
| DLI 8: Contract Management Guidelines for Bangladesh Health Sector | DLR 8: Guidelines for Contract Management for the Health Sector finalized and approved by MOHFW.  
(Baseline: No guidelines available)  
(Target: guidelines finalized and approved by MOHFW) | 3,530,000 |
| DLI 9: New institutional organogram of the Central Medical Stores Depot (CMSD) | DLR 9: MOHFW formal submission of the new organogram of the CMSD to the Ministry of Public Administration (MOPA) for approval  
(Baseline: Assessment being conducted for new organogram)  
(Target: new organogram finalized by MOHFW and sent to MOPA for approval) | 3,530,000 |
| DLI 10: Strengthening of procurement procedures | DLR 10: MOHFW implementation of the following actions in the Integrated Fiduciary Assessment (IFA) Action Plan:  
(a) inclusion of two independent consultants in the CMSD and DGFP Bid Evaluation Committees;  
(b) limitation of EDCL direct contracting for Community Clinic package to only essential drugs they manufacture; and | 10,590,000 |
| **DLI 11:** Restructuring of the Financial Management and Audit Unit (FMAU) | **DLR 11:** (a) MOHFW’s formal response to MOPA’s queries on FMAU restructuring proposal; and (b) MOPA’s approval of FMAU restructuring proposal  
(Baseline: FMAU restructuring proposal finalized by MOHFW)  
(Target: FMAU restructuring proposal approved by MOPA) | (a) 3,530,000; and (b) 3,530,000 |
|---|---|---|
| **DLI 12:** Internal audit FY2014 of MOHFW with a time bound action plan | **DLR 12:** (a) MOHFW sharing of the FY2014 internal audit report with relevant stakeholders; and (b) MOHFW formal adoption of a time-bound action plan to address the key issues raised in the FY2014 internal audit report  
(Baseline: MOHFW internal audit ongoing)  
(Target: (a) MOHFW internal audit shared with relevant stakeholders; (b) the internal audit action plan adopted by MOHFW) | (a) 2,118,000; and (b) 2,824,000 |
| **DLI 13:** Assessment of MOHFW’s accounting needs | **DLR 13:** Completion of the assessment of MOHFW’s accounting needs by independent consultant(s)  
(Baseline: Assessment not done)  
(Target: Assessment completed) | 3,530,000 |
| **DLI 14:** Asset management pilot | **DLR 14:** Completion of the asset management pilot in Moulvibazar District Hospital  
(Baseline: Pilot of asset management system being designed)  
(Target: pilot of asset management system completed) | 3,530,000 |
| **DLI 15:** MOHFW’s web-based complaint mechanism | **DLR 15:** Web-based complaint mechanism maintained by DGHS in the 5 months (July - November 2016) | 3,530,000 |
| (Baseline: Web-based complaint mechanism established) |
| (Target: Web-based complaint mechanism maintained from July to November 2016) |
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each June 15 and December 15, commencing December 15, 2022 to and including June 15, 2054</td>
<td>1.5625%</td>
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</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.
APPENDIX

Section I. Definitions


2. "Central Medical Stores Depot" and the acronym "CMSD" mean the Recipient’s entity within DGHS responsible for procurement of goods including equipment, pharmaceuticals and medical supplies, or any successor thereto.

3. "Community Clinic" and the acronym "CC" mean a clinic that provides basic health services.

4. "Directorate General of Family Planning" and the acronym "DGFP" mean the directorate or such name within the Recipient’s Ministry of Health and Family Welfare, or any successor thereto.

5. "Directorate General of Health Services" and the acronym "DGHS" mean the directorate or such name within the Recipient’s Ministry of Health and Family Welfare, or any successor thereto.

6. "Disbursement Linked Indicator" and the acronym "DLI" mean an indicator, referred to in Section III.A to Schedule 2 to this Agreement and set forth in the table in the Attachment to Schedule 2 to this Agreement, on the basis of which a DLR is to be measured; and "Disbursement Linked Indicators" or "DLIs" means, collectively, more than one, or all said indicators (as the context may require).

7. "Disbursement Linked Result" and the acronym "DLR" mean a result, referred to in Section III.A to Schedule 2 to this Agreement and set forth in the table in the Attachment to Schedule 2 to this Agreement and against which the Target value set forth in such table has been met, and on the basis of the achievement of which a DLR Value may be withdrawn in accordance with the provisions of said Section; and "Disbursement Linked Results" or "DLRs" means, collectively, more than one, or all said results (as the context may require).

8. "District Health Information System" and the acronym "DHIS2" mean a web based data collection system used to collect routine health data from the Recipient’s health facilities.

9. "DLR Value" means an amount of the Financing allocated to each DLR, expressed in Dollars, and set forth in the table in the Attachment to Schedule 2 to this Agreement, which may be withdrawn following the achievement of the respective DLR.
10. “Essential Drug Company Limited” and the acronym “EDCL” mean a Recipient’s fully owned pharmaceutical company, or any successor thereto.

11. “Eligible Expenditure Program” and the acronym “EEP” mean the salaries required for the implementation of the Program and included in the Project’s budget lines consisting of the following items and corresponding budget codes: Pay to Officers (4500), Pay of Establishment (4600), and Allowances (4700), as such corresponding budget codes may be revised from time to time.

12. “Financial Management and Audit Unit” and the acronym “FMAU” mean a unit within the Recipient’s Ministry of Health and Family Welfare responsible for providing fiduciary oversight, or any successor thereto.


15. “Integrated Fiduciary Assessment Action Plan” means the action plan developed jointly by the Recipient and the Association and agreed to by MOHFW on September 6, 2015 for purposes of strengthening the fiduciary aspects of Project implementation, as said plan may be amended from time to time with the prior written agreement of the Association.


17. “MOPA” means the Recipient’s Ministry of Public Administration, or any successor thereto.

18. “Moulvibazar District Hospital” means a health facility located at Moulvibazar which is one of the Recipient’s administrative units, or any successor thereto.

19. “Original Financing Agreement” means the financing agreement for the Health Sector Development Program (Credit Number 4954-BD) between the Recipient and the Association, dated September 12, 2011, as amended.

20. “Original Grant Agreement” means the grant agreement for the Health Sector Development Program between the Recipient and the Association acting as administrator of the Bangladesh Health Sector Development Program Multi-Donor Trust Fund, dated March 28, 2012, as amended.
21. “Original Project” means the Project described in Schedule 1 to the Original Financing Agreement.

22. “Public Health Facilities” mean district hospitals; maternal and child welfare centers; Upazila health complexes; union health and family welfare centers; and community clinics.

23. “Strategic Investment Plan” and the acronym “SIP” mean the Recipient’s plan specifying the strategic objectives of the Program over a period of five years.

24. “Upazila” means the administrative sub-district of the Recipient.

25. “Verification Process” means the protocol dated May 26, 2016, adopted by the Recipient in form and substance satisfactory to the Association and referred to in Section II.A.2 of Schedule 2 to this Agreement, containing the technical standards and procedures for assessing the achievement of DLRs, as such protocol may be revised from time to time with the written approval of the Association.