Project Agreement

(Punjab Health Sector Reform Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

PROVINCE OF PUNJAB

Dated December 2, 2013
PROJECT AGREEMENT

AGREEMENT dated 2 December, 2013, entered into between the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and the PROVINCE OF PUNJAB ("Punjab") ("Project Agreement") in connection with the Financing Agreement ("Financing Agreement") of same date between the ISLAMIC REPUBLIC OF PAKISTAN ("Recipient") and the Association. The Association and Punjab hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Financing 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 Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

2.01. Punjab declares its commitment to the objectives of the Project. To this end, Punjab shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall 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 Association and Punjab shall otherwise agree, Punjab shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) 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 Association's Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable: INDEVAS
Telex: 248423(MCI)
Facsimile: 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 DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: ____________________________
Title: ____________________________

PROVINCE OF PUNJAB

By

Authorized Representative

Name: ____________________________
Title: ____________________________
Section I. Implementation Arrangements

A. Institutional Arrangements

1. Punjab shall establish by no later than two (2) weeks after the Effective Date, 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 Association, 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 Effective Date, 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 Association, 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 Association, 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 Association.

4. 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 Association, to be responsible for, *inter alia*: (a) preparing district plans and budgets; (b) organizing meetings of district review committees; (c) preparing selected development schemes; (c)
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 Association, 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 Association; (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 Association; (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 Association.

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 Association; 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 Association.

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 Association, 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 Association.
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 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. 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 Association not later than December 15 and June 15, respectively.

2. Punjab shall: (a) on or about the date eighteen (18) months after the Effective Date, prepare and furnish to the Recipient and Association a mid-term report, in such detail as the Association 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 I 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 Association 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 Association'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 Association, 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 Association the interim financial reports ("IFR"):

   (a) by no later than January 31 of each year, commencing on January 31, 2014, an IFR for the Project, in form and substance satisfactory to the Association, 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 Association, 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 Association, in accordance with consistently applied auditing standards acceptable to the Association. 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 Association 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 Association.

4. Punjab shall by no later than three (3) months after the Effective Date, shall have prepared an implementation plan for strengthening the financial management capacity of the DoH, in a form and substance satisfactory to the Association, and shall thereafter implement said plan in conformity with an agreed timetable, in a manner acceptable to the Association.

5. 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, a financial management specialist, with qualifications, experience and terms of reference acceptable to the Association.

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

C. Budget Execution Reports

Notwithstanding the reporting requirement set forth in Part B of this Section, Punjab shall prepare quarterly consolidated budget execution reports ("BER") in form and substance satisfactory to the Association, setting out values of budgets, actual expenditures incurred and balances thereof, if any, per budget line, for the whole health sector, and summarizing budget allocations and utilization in the EEP, covering the period from the beginning of the Fiscal Year, in which the report is prepared and up to the date of any such reports. The BERs shall be prepared in each calendar quarter, and be submitted to the Association no later than thirty (30) days after the end of each such quarter.

Section III. Procurement

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

(a) establish, by no later than six (6) months after the Effective Date, 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 Association, 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 Association’s prescribed complaint redress mechanism shall apply; and

(b) establish, by no later than six (6) months after the Effective Date, 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 Association, 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.