Financing Agreement

(Punjab Health Sector Reform Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 2, 2013
FINANCING AGREEMENT

AGREEMENT dated December 2, 2013, entered into between the ISLAMIC REPUBLIC OF PAKISTAN ("Recipient") and the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

WHEREAS (A) the Recipient, having satisfied itself as to the feasibility and priority of the Project described in Schedule 1 to this Agreement ("Project"), has requested the Association to extend a credit to assist in the financing of the Project;

(B) the Recipient has requested the Association as administrator of the Health Results Innovation Trust Fund to extend a grant to assist in the financing Parts 2 and 4 of the Project, pursuant to the agreement to be entered into between the Association and the Recipient ("HRITF Grant Agreement").

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend a credit 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 or in the Appendix to this Agreement.

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 sixty six million eight hundred thousand Special Drawing Rights (SDR 66,800,000) (variously, "Credit" and "Financing") to assist in financing the Project.

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.

2.06. The Payment Dates are January 1 and July 1 in each year.

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

2.08. The Payment Currency is Dollars.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall cause the Project to be carried out by Punjab in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.

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 — REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consist of the following:

(a) The Punjab Health Sector Strategy has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of Punjab to achieve the objective of the Project and/or perform any of its obligations under the Project Agreement; or
(b) A situation has arisen which shall make it improbable that the Punjab Health Sector Strategy, or a significant part of the core activities thereof, will be carried out; or

(c) The Recipient and/or Punjab have taken any action that would have the effect of materially reversing the objectives of the Punjab Health Sector Strategy, including any action specified in Schedule 4 to this Agreement; or

(d) The HRITF Grant Agreement shall have failed to become effective by August 31, 2013, or such later date as the Association has established by notice to the Recipient.

4.02. The Additional Event of Acceleration consists of the following, namely, that the events specified in paragraphs (a) and/or (c) of Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

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

5.02. 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 VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is the Secretary to the Government of Pakistan, Economic Affairs Division (“EAD”), or any Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer in EAD.

6.02. The Recipient’s Address is:

The Secretary
Economic Affairs Division
Government of Pakistan
Islamabad,
Pakistan

Facsimile: (92-51) 9212769
6.03. The Association’s Address is:

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

Cable: Telex: Facsimile:

INDEVAS 248423 (MCI) 1-202-477-6391
Washington, D.C.

AGREED at Islamabad, Islamic Republic of Pakistan, as of the day and year first above written.

ISLAMIC REPUBLIC OF PAKISTAN

By

[Signature]
Authorized Representative

Name: Pervaiz Ahmed Junejo
Title: Acting Secretary EAD

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]
Authorized Representative

Name: Hacéd Benmessoud
Title: Country Director
SCHEDULE 1

Project Description

The objective of the Project is to support the implementation of the Punjab Health Sector Strategy, by focusing on the improvement of the coverage and utilization of quality essential health services, particularly in the Low Performing Districts of Punjab.

The Project consists of the following parts:

Part 1: Improving Health Service Delivery

1.1 Expanding the provision of 24/7 comprehensive obstetrical and family planning services in a number of districts and supporting the integrated management of community-based programs related to lady health workers, and maternal neonatal and child health.

1.2 Introducing preventive nutrition services by focusing, inter alia, through behavioral change communications, on the prevention of malnutrition during pregnancy and in the first two (2) years of life; improving the capacity of health service providers to deliver nutrition intervention at the facility and community level; providing therapeutic nutrition services to districts and urban slumps with a high prevalence of acute malnutrition; and establishing mechanisms/structures for developing a coordinated, multi-sectorial response to malnutrition at the provincial level.

1.3 Expanding the coverage of preventive, treatment and care services for population sub-groups vulnerable to HIV/AIDS in targeted cities and supporting provincial integrated biological and behavioral surveillance.

Part 2: Enhancing Efficiency and Effectiveness of the Health System

2.1 Expanding the contracting out of the provision of primary health care services to cover additional districts and the scope of services to be delivered, and strengthening contracting out arrangements by making contracts results based and linked to achievement of district-wide annual performance targets.

2.2 Supporting the District Health Offices performance in providing health services by monitoring and publicly disseminating performance on key pre-identified indicators, and making result-based payments in connection to such performance.

2.3 Enhancing governance and accountability in the health sector, through inter alia: (i) operationalizing the Punjab Healthcare Commission, including operationalizing the registration and licensing of health care establishments in
public and private sector and a consumer complaint system; and (ii) social accountability initiatives, including regular health facility assessment and household surveys, data dissemination, community based monitoring/auditing, and strengthening complaints mechanisms.

**Part 3: Strengthening Provincial Department of Health Management Capacity**

3.1 Strengthening the institutional capacity of DoH, including: (i) enhancing DGHS' capacity to provide technical support to the districts and carry out monitoring and evaluation activities; (ii) supporting DoH policy and strategy roles and functions; and (iii) supporting DoH human resources ("HR") management functions, by, *inter alia*, the establishment of an HR cell within DoH, the development of an HR strategy and a HR database.

3.2 Reviewing Punjab Health Foundation’s mission and objectives, restructuring it and strengthening its capacity to work with the private sector.

3.3 Strengthening the fiduciary functions of DoH with respect to: (i) procurement, by, *inter alia*, enhancing the functional independence of procurement-related activities, operationalizing the use of health sector specific procurement procedures/manuals, analyzing and improving supply chain management, providing training for field staff, and developing a pilot for local e-procurement; and (ii) financial management, by, *inter alia*, enhancing the functional independence of financial management-related activities, strengthening management of health sector budgets, enhancing allocations to non-salary health expenditures at the district level, and developing a system for internal audits.

3.4 Piloting of medical waste management plans at the district level, and planning and allocating resources for its expansion at the provincial level.

**Part 4: Improving Capacities for Equitable Health Services for All**

4.1 Enhancing performance and service quality of health, by piloting the use of result-based payments to health staff in selected districts.

4.2 Designing and piloting alternative financing models in two districts, including: (i) a voucher scheme for creating demand for health services; and (ii) an insurance/social protection scheme for targeted population for provision of health services by the public or private sector.

4.3 Providing technical and advisory support for, *inter alia*; (i) developing secondary and tertiary health care packages; (ii) analytical work and research related to assessment of quality of secondary care services, urban health care assessment and strategy development and performance review of tertiary care hospitals; and (iii) day-to-day coordination, financial management, procurement,
communication, monitoring and evaluation activities including third party verification of DLI; support implementation of health reform activities.

4.4 Carrying out an impact evaluation of the pilot activities under Parts 4.1 and 4.2 of the Project.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. On-lending Budgetary Arrangements

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to Punjab in accordance with the provisions of this Agreement and the Recipient’s on-lending policies and budgetary procedures, and under the same terms and conditions as shall have been received from the Association.

2. Notwithstanding paragraph 1 above, in the event that any of the provisions of this Agreement, including the instructions that the Association shall have specified by notice to the Recipient pursuant to Section IV.A.1 of this Schedule, are inconsistent with the budgetary procedures of the Recipient, the provisions of this Agreement shall govern.

B. Anti-Corruption

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

C. Safeguards

The Recipient shall (and shall cause Punjab to) 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.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

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 indicators acceptable to the Association. Each Project Report shall cover the period of one (1) calendar semester (July through December and January through June), and shall be furnished to the Association not later than December 15 and June 15, respectively.
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, or shall cause Punjab to 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. 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 fiscal year of the Recipient. 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. Procurement

A. General

1. Goods and Non-consulting Services. All goods and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants’ Services. All consultants’ services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.
B. **Particular Methods of Procurement of Goods and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the additional procedures set forth in paragraph 3 below; (b) Shopping; and (c) Direct Contracting.

3. **Additional Procedures for National Competitive Bidding.** The procedures applicable to the procurement under contracts awarded on the basis of National Competitive Bidding shall be those set out in Rules 5 and 20 through 36(a) of Punjab Public Procurement Rules, 2009 (Amended) No. MD (PPRA)2-1/2010, with the additional provisions set forth below in order to ensure economy, efficiency, transparency, and broad consistency with the provisions of Section I of the Procurement Guidelines, pursuant to paragraph 3.3 of said Guidelines. In the event of a conflict between Punjab’s procedures and the additional provisions set out below, the latter shall govern.

   (i) Invitation to bid shall be advertised in at least one national newspaper with wide circulation, at least thirty (30) days prior to the deadline for the submission of bids.

   (ii) Bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee;

   (iii) Foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders in the bidding process.

   (iv) Bidding shall not be restricted to pre-registered firms.

   (v) Qualification criteria shall be stated in the bidding documents.

   (vi) Bids shall be opened in public, immediately after the deadline for submission of bids.

   (vii) Bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Association.
(viii) Before rejecting all bids and soliciting new bids, the Association's prior concurrence shall be obtained.

(ix) Bids shall be solicited and works contracts shall be awarded on the basis of unit prices and not on the basis of a composite schedule of rates.

(x) Contracts shall not be awarded on the basis of nationally negotiated rates.

(xi) A single bid shall also be considered for award.

(xii) Contracts shall be awarded to the lowest evaluated and qualified bidder.

(xiii) Post-bidding negotiations shall not be allowed with the lowest evaluated or any other bidders.

(xiv) Draft National Competitive Bidding contract would be reviewed by the Association in accordance with prior review procedures.

(xv) Any firm declared ineligible by the Association, based on a determination by the Association that the firm, directly or through an agent, has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for or in executing an Association-financed contract, shall be ineligible to be awarded an Association-financed contract during the period of time determined by the Association;

(xvi) Each contract financed from the proceeds of the Financing shall provide that the suppliers, contractors and subcontractors shall permit the Association, at its request, to inspect their accounts and records relating to the performance of the contract and to have said accounts and records audited by auditors appointed by the Association. The deliberate and material violation by the supplier, contractor or subcontractor of such provision may amount to obstructive practice.

(xvii) Government-owned enterprises shall be eligible to bid only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the Recipient or Punjab.

C. Particular Methods of Procurement of Consultants' Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants’ Services.** The following methods, other than Quality-and Cost-based Selection, may be used for procurement of consultants’ services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants’ Qualifications; (e) Single-source Selection of consulting firms; (f) Selection of UNICEF/UNFPA/WHO; (g) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (h) Single-source procedures for the Selection of Individual Consultants.

D. **Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. **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 Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Eligible Expenditure Program (&quot;EEP&quot;) under Parts 1, 2 and 3 of the Project, as described in paragraph 3(a) of Part B of this Section</td>
<td>11,340,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Eligible Expenditure Program (&quot;EEP&quot;) under Parts 1, 2 and 3 of the Project, as described in paragraph 3(b) of Part B of this Section</td>
<td>45,360,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, non-consulting services, consultants’ services, incremental operating costs, training and workshops costs under Part 4.3 of the Project</td>
<td>700,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Performance Incentives under Part 4.1 of the Project</td>
<td>3,350,000</td>
<td>50%</td>
</tr>
<tr>
<td>(5) Consultants’ services, training and workshops costs, incremental operating costs and subsidies under Part 4.2 (i) of the Project</td>
<td>3,350,000</td>
<td>50%</td>
</tr>
<tr>
<td>(6) Consultants’ services, training and workshops costs, incremental operating costs and premium-subsidies under Part 4.2 (ii) of the Project</td>
<td>2,700,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>66,800,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
B. Withdrawal Conditions; Withdrawal Period

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

   (a) under Category 2, until and unless the Recipient shall have:
       
       (i) complied with the additional instructions referred to in Section IV.A.1 of this Schedule, including the submission to the Association of the applicable IFR detailing the expenditures incurred under the EEP up to the date of the applicable withdrawal application; and
       
       (ii) by no earlier than January 31 or and in any case not later than July 31 of each calendar year, commencing on January 31, 2014, furnished evidence, satisfactory to the Association, of Punjab’s achievement of any DLI for the actions to be completed in the respective Fiscal Year for which payment is requested as set forth in Schedule 4 to this Agreement;
       
   (b) under Category 4, until and unless Punjab has prepared, submitted to the Association for review and approval, and thereafter adopted the RBF Manual;
       
   (c) under Category 5, until and unless Punjab has prepared, submitted to the Association for review and approval, and thereafter adopted the Vouchers Manual;
       
   (d) under Category 6, until and unless Punjab has prepared, submitted to the Association for review and approval, and thereafter adopted the Insurance Manual.

2. Notwithstanding the provision of paragraph 1(a) above, the amounts to be authorized for withdrawal under Category 2 at any point in time shall be determined/calculated as the difference between: (a) 1/15th of the aggregate amounts of the proceeds of the Financing allocated to Categories 1 and 2 per the total number of DLIs met up to the date of the applicable withdrawal application; and (b) the aggregate amounts already withdrawn at such point in time from Categories 1 and 2.

3. Notwithstanding the provisions of paragraphs 1(a) and 2 above, the Recipient shall ensure that: (a) withdrawals from Category 1 shall be made on an “advance basis”, whereby the Recipient shall request the Association to advance the proceeds of the Financing against a forecast of Eligible Expenditures to be incurred under the EEP by January 15, 2014; and (b) withdrawals from Category
shall be made on a “reimbursement basis”, whereby the Recipient shall request the Association to reimburse amounts utilized for the pre-financing of Eligible Expenditures incurred under the EEP.

4. Notwithstanding the foregoing, if the Association determines in its sole discretion that one or more of the DLIs set forth in Schedule 4 to this Agreement has/have not been achieved, or were no longer achievable, by the end of the respective Fiscal Year and/or the Closing Date, then, the Association shall withhold the allotted price of the unmet DLIs, which shall be equivalent to $1/15th$ of the aggregate amounts of the proceeds of the Financing allocated to Categories 1 and 2 per each of the respective DLI unmet.

5. In the event that the Association has withheld, or was entitled to withhold, part of the Financing pursuant to paragraph 4 above, the Association may, at its sole discretion:

(a) authorize partial releases of the amounts so withheld/to be withheld, if and when the Association is satisfied that: (i) the non-fulfillment of the respective DLI(s) is due to an event of force majeure; and/or (ii) the Recipient and/or Punjab have made reasonable efforts, in the sole opinion of the Association, to remedy the situation in order to achieve said DLIs;

(b) authorize, at a later date, the full release of the amounts so withheld, if and when the Association is satisfied that the respective DLI(s) has/have been achieved; and/or

(c) at any time, by notice to the Recipient, cancel the amount(s) so withheld/to be withheld, and/or reallocate them, whether in full or in part, to any other Category.

6. The Closing Date is December 31, 2017.

C. Deposits of Financing Amounts

Except as the Association may otherwise agree:

(a) All withdrawals from the Financing Account under Categories 1 and 2 shall be deposited by the Association into an account designated by the Recipient and acceptable to the Association; and

(b) the Recipient shall ensure that upon each deposit of an amount of the Financing into the account referenced in (a) above, an equivalent amount in Rupees shall be deposited, within two (2) working days, in the
Punjab’s Consolidated Fund – Account No. 1 (Non-Food), in a manner acceptable to the Association.
**SCHEDULE 3**

**Repayment Schedule**

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Financing repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each January 1 and July 1:</td>
<td></td>
</tr>
<tr>
<td>commencing July 1, 2018 to and including January 1, 2028</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing July 1, 2028 to and including January 1, 2038</td>
<td>3.35%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Financing to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.
SCHEDULE 4
Disbursement Linked Indicators

<table>
<thead>
<tr>
<th>Reform Areas under the Punjab Health Sector Strategy</th>
<th>Actions to be Completed in FY 2013/14</th>
<th>Actions to be Completed in FY 2014/15</th>
<th>Actions to be Completed in FY 2015/16</th>
<th>Actions to be Completed in FY 2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Improving Health Service Delivery</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Integrated management of health programs</td>
<td>Punjab has: (a) approved the PC-1s for: (i) an integrated program for reproductive health care and nutrition; (ii) the Lady Health Worker program; and (iii) a maternal, neonatal and child health program; and (b) operationalized their integrated management under DGHS.</td>
<td></td>
<td></td>
<td>Punjab has attained: (a) an increase in the use of modern contraceptive methods by married women age 15-49 to at least 35%; and (b) an increase in birth deliveries attended by skilled health personnel to at least 70%.</td>
</tr>
<tr>
<td>b. Lady Health Workers</td>
<td>At least 15,000 Lady Health Workers in the districts agreed with the Association received training on family planning and nutrition.</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>c. Nutrition Services</td>
<td></td>
<td></td>
<td></td>
<td>At least 60% of children identified during the previous</td>
</tr>
<tr>
<td>d. Expansion of coverage of HIV/AIDS preventive services</td>
<td>DoH has entered into at least 6 contracts (with terms and conditions acceptable to the Association) with non-government organizations for delivery of HIV/AIDS preventive and promotive services to IDUs, MSW/hijras in cities agreed with the Association, and such organizations started providing the services agreed under the signed contracts, including: (a) establishment drop-in centers; (b) registration of MARPs; and (c) distribution of syringes and condoms.</td>
<td></td>
<td>Fiscal Year with severe acute malnutrition in the districts agreed with the Association have been registered for treatment.</td>
<td></td>
</tr>
</tbody>
</table>

2. Enhancing Efficiency and
## Effectiveness of the Health System

<table>
<thead>
<tr>
<th>a. Strengthening contracting out of primary health care</th>
<th>DoH has entered into revised results-based contracts (with terms and conditions acceptable to the Association) with PRSP for the provision of primary health care services, including the delivery of the EPHS in 14 districts agreed with the Association.</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>b. Results-based district management contract</td>
<td>DoH has entered into performance management contracts (with terms and conditions acceptable to the Association) with all District Health Offices, and has transferred budgetary resources in accordance therewith.</td>
<td>80% of the Low Performing Districts have individually attained a minimum increase of 10% points in key performance indicators reflected in a composite index (scorecard), agreed with the Association, and measured against the 2012 baseline data in.</td>
</tr>
<tr>
<td>c. Governance and accountability mechanisms</td>
<td>Punjab Healthcare Commission has issued a certificate of registration to at least 200 category 1 health care</td>
<td>Punjab Healthcare Commission has operationalized a complaints management system,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>At least 50% of participants in the user satisfaction survey carried out during June 2016 as part of the</td>
</tr>
<tr>
<td>3. Strengthening Provincial Health Management Capacity</td>
<td>establishments (establishments with at least 50 beds).</td>
<td>acceptable to the Association.</td>
</tr>
<tr>
<td>----------------------------------------------------</td>
<td>---------------------------------------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>a. Stewardship functions in DoH</td>
<td>DoH has restructured and reorganized the DGHS pursuant to roles and responsibilities compliant with the Recipient’s and Punjab’s legal and regulatory framework, including the establishment of a contract management unit.</td>
<td></td>
</tr>
<tr>
<td>b. Fiduciary Functions</td>
<td>DoH has established two cells responsible for procurement and financial management at the provincial level.</td>
<td></td>
</tr>
<tr>
<td>c. Environmental and medical waste management</td>
<td>At least two secondary level health facilities in</td>
<td></td>
</tr>
</tbody>
</table>
Punjab’s districts of Gujranwala and Khanewal have adopted and implemented a medical waste management plan, in accordance with the Hospital Waste Management Rules and elaborated in the EMWMP, in form and substance acceptable to the Association.¹

¹ Achievement of this DLI is without prejudice to the Recipient and Punjab’s obligations under Section I.C of Schedule 2 to this Agreement and Section I.C of the Schedule to the Project Agreement, respectively.
APPENDIX

Section I. Definitions


2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

3. “Consolidated Fund – Account No. 1 (Non-Food)” means Punjab’s budget account #1 held with the State Bank of Pakistan.


5. “DGHS” means the Directorate General of Health Services within DoH.

6. “Disbursement-Linked Indicators” and the acronym “DLI” mean, collectively, the disbursement-linked targets set forth in the columns entitled “Actions to be Completed in FY2013/14”, “Actions to be Completed in FY2014/15”, “Actions to be Completed in FY2015/16”, and “Actions to be Completed in FY2016/17” in Schedule 4 to this Agreement; and the acronym “DLI” means, individually, any one of such targets.

7. “District Health Offices” means the office of the EDOH and subordinate officers.


9. “EMWMP” means the environmental and medical waste management plan disclosed by Punjab on April 15, 2013; as the same may be further updated from time to time with the prior concurrence of the Association.

10. “Eligible Expenditure Program” and the acronym “EEP” mean the reasonable costs of salaries, allowances, and related costs of health sector staff of Punjab’s health facilities and institutions, which are defined expenditures incurred by Punjab under Budget Grant/Fund Number PC 21016 - Health Services, Function Codes 07 - Health Services and 09 - Education Affairs & Services, and Object Code: A 01 - Employee Related Expenses.

11. “EPHS” means the essential package of health services for primary health care to be approved by Punjab pursuant to Section I.D (a) of the Schedule to the Project Agreement.
12. “Executive District Officer (Health)” and the acronym “EDOH” mean the manager of District Health Office.

13. “Fiscal Year” and the acronym “FY” means the fiscal year of Punjab which commences on July 1 and closes on June 30 of each year.

14. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.

15. “Health Technical Committee” means the committee to be established and maintained pursuant to Section I.A.2 of the Schedule to the Project Agreement.


17. “IDUs” means injecting drug users.

18. “Incremental Operating Costs” means the reasonable costs of incremental expenditures required for the Project, including: consumable material and supplies; office rental costs; utilities fees; insurance; communications, advertising and newspaper subscriptions; printing and stationary costs; vehicle and/or office equipment operation and maintenance; charges for opening and operating bank accounts required for the Project, travel, lodging and per diems allowances for Project staff, excluding salaries of the Recipient’s and Punjab’s civil servants.

19. “Insurance Manual” means the manual for the insurance scheme under Part 4.2 (ii) of the Project to be adopted by Punjab pursuant to Section I.G of the Schedule to the Project Agreement.

20. “IFR” means each of the interim financial reports to be furnished to the Association by the Recipient pursuant to Section II.B.2 of Schedule 2 to this Agreement, and by Punjab pursuant to Section II.B.2 of the Schedule to the Project Agreement.

21. “Lady Health Workers” means community based female workers providing preventive and promotive services at the community level.

22. “Low Performing Districts” means collectively Punjab’s districts of Dera Gazi Khan, Rajanpur, Muzaffargarh, Jhang, Bhakkar, Rahim Yar Khan, Narowal, Bahawalnagar, Bahawalpur, Pakpattan, Kasur, Vehari, Lodhran, Chiniot, Khanewal, Okara, Hafizabad, Layyah, and/or any other district selected by Punjab with the prior concurrence of the Association.
23. “MSW” means male sex workers.

24. “Package of Health Services” means a minimum package of services to be delivered by the Participating Health Facilities, as defined in the RBF Manual, with a focus on maternal and child health services.

25. “Performance Incentives” means the reasonable costs of salaries top-ups (bonuses) to be paid to staff of health facilities for the provision of the Package of Health Services on the basis of performance against indicators, determined in accordance with the RBF Manual.

26. “Premium-subsidies” means payments of up to a specific amount made on behalf of eligible beneficiaries participating in the insurance scheme under Part 4.2 (ii) of the Project, pursuant to the Insurance Manual.


28. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 18, 2013 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

29. “Provincial Steering Committee” means the steering committee to be established and maintained pursuant to Section I.A.1 of the Schedule to the Project Agreement.


31. “Punjab” means the Recipient’s Province of Punjab, and the Project Implementing Entity for the purposes of the General Conditions.


33. “Punjab Health Foundation” means the Punjab Health Foundation established pursuant to the Punjab Health Foundation Act, 1992 (XI of 1992), as amended thereof, or any successor thereto.

35. "Punjab Health Sector Strategy" means Punjab health sector strategy for 2012-2020, as approved, in principle, by the Chief Minister, Punjab, as communicated to the Association in the letter No. PMU/PHSRP/M&E/03-2013/16253, dated March 12, 2013.

36. "RBF Manual" means the manual for the result-based financing pilots under Part 4.1 of the Project to be adopted by Punjab, pursuant to Section I.G of the Schedule to the Project Agreement, as the same may be revised from time to time with the prior approval of the Association.

37. "Rupees" and the acronym "Rs." mean the currency of the Recipient.

38. "Subsidies" means payments of up to a specific amount made on behalf of eligible beneficiaries participating in the vouchers scheme under Part 4.2 (i) of the Project, pursuant to the Vouchers Manual.

39. "Training and Workshops Costs" means the reasonable costs of training, workshops and conferences conducted in the territory of the Recipient or attended overseas (subject to the prior approval of the Association), including the purchase and publication of materials, rental of facilities, course fees, and travel and subsistence of trainees.

40. "Vouchers Manual" means the manual for the vouchers scheme under Part 4.2(i) of the Project to be adopted by Punjab, pursuant to Section I.G of the Schedule to the Project Agreement, as the same may be revised from time to time with the prior approval of the Association.


43. "WHO" means the World Health Organization established pursuant to its constitution adopted by the International Health Conference held in New York from 19 June to 22 July 1946, and entered into force on 7 April 1948, as amended thereof.
Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Section 3.02 is modified to read as follows:

   "Section 3.02. Service Charge and Interest Charge

   (a) Service Charge. The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.

   (b) Interest Charge. The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months."

2. Paragraph 28 of the Appendix ("Financing Payment") is modified by inserting the words "the Interest Charge" between the words "the Service Charge" and "the Commitment Charge".

3. The Appendix is modified by inserting a new paragraph 32 with the following definition of "Interest Charge", and renumbering the remaining paragraphs accordingly:

   "32. "Interest Charge" means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b)."

4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix ("Payment Date") is modified by inserting the words "Interest Charges" between the words "Service Charges" and "Commitment Charges".

5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix ("Service Charge") is modified by replacing the reference to Section 3.02 with Section 3.02 (a).