Global Partnership on Output-based Aid
Grant Agreement

(Philippines Public Health Project)

between

POPULATION SERVICES PILIPINAS INCORPORATED

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as Administrator of the Global Partnership on Output-based Aid

Dated April 10, 2012
GLOBAL PARTNERSHIP ON OUTPUT-BASED AID
GRANT AGREEMENT

AGREEMENT dated April 10, 2012, entered into between:

POPULATION SERVICES PILIPINAS INCORPORATED (PSPI) (“Recipient”); and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND INTERNATIONAL DEVELOPMENT ASSOCIATION (“World Bank”), acting as administrator of the Multi-donor Global Partnership on Output-based Aid (“GPOBA”), for the benefit of the Republic of the Philippines.

The Recipient and the World Bank hereby agree as follows:

**Article I**
Standard Conditions; Definitions

1.01. The Standard Conditions for Grants Made by the World Bank out of Various Funds, dated July 31, 2010 (“Standard Conditions”), 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 Standard Conditions or in this Agreement.

**Article II**
The Project

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement (“Project”). To this end, the Recipient shall carry out the Project in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank 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 III
The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to three million and six hundred fifty thousand United States Dollars (US$3,650,000) ("Grant") to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Additional Remedies

4.01. The Additional Events of Suspension referred to in Section 4.02(k) of the Standard Conditions consists of the following: the Recipient has amended the Operations Manual so as to affect materially and adversely the carrying out of the Project.

Article V
Effectiveness; Termination

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the following condition has been satisfied: that the Operations Manual has been prepared by the Recipient and submitted to the World Bank.

5.02. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account of this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.
5.03. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purposes of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article VI
Recipient’s Representative; Addresses

6.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Chief Executive Officer of the Recipient.

6.02. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Population Services Pilipinas Incorporated
2015 Gil Puyat Avenue, Pasay City
Philippines 1300

Telephone: +63-2-8312876  Facsimile: +63-2-8040798

6.03. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable: INTBAFRAD  Telex: 248423 (MCI) or 1-202-477-6391
Facsimile: INDEVAS  64145 (MCI)
AGREED at Manila, Philippines, as of the day and year first above written.

POPULATION SERVICES PILIPINAS INCORPORATED

By

Authorized Representative

Name: VIRGILIO L. PERNITA
Title: CHIEF EXECUTIVE OFFICER

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND INTERNATIONAL DEVELOPMENT ASSOCIATION
Acting as administrator of the Global Partnership on Output-based Aid

By

Authorized Representative

Name: Matthew Stephens
Title: Acting Country Director
SCHEDULE 1

Project Description

The objective of the Project is to pilot interventions that improve the health status, particularly maternal and reproductive health status of poor populations in the provinces of Leyte, Southern Leyte, Samar, Northern Samar and Eastern Samar in the Eastern Visayas Region of the Philippines.

The Project consists of the following parts:

Part A. Accreditation of Health Service Providers

Provision of training to health care professionals and provision of equipment and supplies to upgrade selected health service providers’ facilities, including midwife owned clinics, private first level hospitals and selected number of rural health units, in order to meet PhilHealth’s accreditation requirements. A qualifying number of health service providers must be first accredited before the other Parts of the Project described below can be successfully implemented.

Part B. Enrollment with PhilHealth/NHIP

Provision of subsidies to LGUs to cover its share of premium subsidy in the enrollment of the poor (i.e., the second lowest income quintile families as determined by the National Household Targeting System), into the National Health Insurance Program within the first three (3) years on a pilot basis. Such subsidies are expected to facilitate the provision of maternal and reproductive health services and empower enrolled poor families to fully utilize their National Health Insurance Program benefits.

Part C. Vouchers for Co-payment

Provision of subsidies for a voucher system that will complement and supplement PhilHealth’s coverage of benefits to the poor, with a focus on its reproductive health care benefits, specifically on its normal spontaneous delivery and maternity care package. Such subsidies are expected to cover co-payments or bill balances incurred by the poor above and beyond PhilHealth’s normal spontaneous delivery/maternity care package benefits, provided that the accredited service provider does not charge any other fees.

Part D. Project Management and Implementation

Provide support for the overall implementation of the Project, including beneficiary enrollment, service provider identification and accreditation support, coordination of Project implementation with PhilHealth, relevant government
agencies and the Strategic Advisory Committee, as well as providing technical assistance to health service providers, Project monitoring and Project related recurrent costs.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Implementation Arrangement


The Recipient shall:

(a) prepare and thereafter maintain the Operations Manual satisfactory to the World Bank, which shall include, *inter alia*, detailed description of the Project, activities to be carried out under the Project and the implementation arrangements, including: (i) description of the roles and responsibilities of the Recipient, PhilHealth, MSIA, LGUs, the IVA, the Strategic Advisory Committee, health service providers and voucher distributors; (ii) the procedures to verify the outputs, including accreditation of health service providers, enrollment of beneficiaries in the NHIP and voucher distribution and administration and marketing and service provider accreditation support and training; (iii) procedures on ensuring enrollment of beneficiaries; (iv) the eligibility criteria for the selection of beneficiaries, and terms and conditions of Subsidies, including detailed disbursement conditions and arrangements of Subsidies; (v) definition of fixed and variable costs within the Recipient's project administration budget; (vi) procurement and financial management procedures; (vii) monitoring and evaluation arrangements; (viii) project performance indicators and procedures for monitoring them; (ix) reporting requirements; and (x) guidelines and procedures describing the environmental and social safeguards mitigation measures acceptable to the World Bank and as described in the Environmental Code of Practice, the Environmental Management Plan and the Health Care Waste Management Manual.

(b) not amend or change any part of the Operations Manual without prior approval of the World Bank; and

(c) ensure that, in the event that any provision of the Operations Manual shall be in conflict with any provision of this Agreement, the provisions of this Agreement shall prevail.
2. **Strategic Advisory Committee**

The Recipient shall ensure that a Strategic Advisory Committee is established and thereafter maintained, two (2) months after the Effective Date of the Project, in order to provide ongoing guidance, technical review and overall Project support. The Strategic Advisory Committee shall include representatives of the Recipient, MSIA, Bureau of International Health Cooperation of DoH, DoH’s Regional Office for Eastern Visayas, PhilHealth Regional Office and selected health service providers. The Strategic Advisory Committee shall meet once or twice a year, as necessary, to review Project progress and provide input to its ongoing development.

3. **Collaboration among the Recipient, PhilHealth, Health Service Providers and LGUs**

The Recipient shall:

(a) collaborate with PhilHealth to ensure that: (i) PhilHealth issues accreditation to health service providers which meet clinical criteria as specified in the Operations Manual; and (ii) PhilHealth applies its regular monitoring and evaluation system in addition to the work of the Independent Verification Agent, including periodic inspection of facilities and offices; gathering of utilization data from services rendered by all health service providers who will be required to submit mandatory reports; periodic review of these data for purposes of determining quality and cost effectiveness as well as adherence to practice guidelines by health service providers; utilization review, peer review; periodic assessment of the performance of all health service providers and submission of mandatory monthly hospital reports and other reporting requirements, as determined by PhilHealth.

(b) ensure that the health service providers: (i) provide services, maintain records, and send their claims documents to PhilHealth; (ii) coordinate and provide required reports to DoH and the Independent Verification Agent; (iii) participate in training and monitoring and evaluation activities; and (iv) agree not to charge any additional co-payments for services covered by the voucher and to submit regular reports to the Recipient on said covered services.

(c) ensure that the LGUs: (i) agree to provide the counterpart funds for the enrollment of poor families as identified by the National Household targeting System; (ii) provide educational and informational campaigns that will educate PhilHealth members to understand their benefits and the corresponding rules and processes;
and (iii) provide the Independent Verification Agent the necessary documentation and information required to verify the enrollment output of the Project.

4. **IVA and Subsidies**

(a) The IVA shall be responsible for independently verifying the delivery of quality and operationally sound outputs under the Project for which the Recipient requests the payment of a Subsidy.

(b) Subsidies will be paid for each output verified by the IVA as set out below:

(i) **Output under Part A of the Project: Accreditation of Health Service Providers:**

   (A) 50% of the Subsidy amount will be paid to the Recipient upon confirmation by the IVA that accreditation criteria are met; and

   (B) the remaining 50% of the Subsidy amount will be paid to the Recipient after the accredited providers have provided and billed services to targeted poor for three (3) months.

(ii) **Output under Part B: Enrollment with PhilHealth/NHIP**

   80% of the Subsidy to the Recipient will be paid upon confirmation by the IVA of the enrollment of beneficiaries to PhilHealth/NHIP; and the remaining 20% of the Subsidy will be paid to the Recipient when the implementation of the enrollment empowerment activities has been verified by the IVA.

(iii) **Output under Part C: Vouchers for Co-payment**

   100% of the Subsidy will be paid to the Recipient upon confirmation by the IVA that the services paid for by the vouchers have been provided.

B. **Safeguards**

The Recipient shall:

(1) ensure that the Project is carried out in accordance with the provisions of the Health Care Waste Management Manual and ECOP, and, except as the World Bank shall otherwise agree in writing, the Recipient shall not
assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.

(2) ensure that the Project is carried out in accordance with the Environmental Management Plans to be prepared by the Recipient in accordance with the provisions of the Health Care Waste Management Manual and ECOP, satisfactory to the World Bank, and, except as the World Bank shall otherwise agree in writing, the Recipient shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.

(3) ensure that adequate Grievance and Redress Mechanism, satisfactory to the World Bank is in place to address complaints, grievances and other queries related to the Project.

C. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”).

D. Donor Visibility and Visit

1. The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donors’ support for the Project.

2. For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, take all measures required on its part to enable the representatives of the Donors to visit any part of the Republic of the Philippines’ territory for purposes related to the Project.
Section II. **Project Monitoring, Reporting and Evaluation**

A. **Project Reports; Completion Report**

1. The Recipient 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 the indicators acceptable to the World Bank as set out in the Operations Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

2. The performance indicators referred to above in sub-paragraph (a) consist of the following:

   (a) Accreditation of 45 health service providers;

   (b) Enrollment of 145,753 families (estimated at 728,765 individuals) into the national health insurance scheme for 3 years; and

   (c) Co-payments subsidization for 58,000 mothers delivering by normal spontaneous delivery.

3. Notwithstanding the provisions of paragraphs A.1 and A.2 above, the Recipient shall, no later than October 30, 2014, carry out jointly with the World Bank, a mid-term review to assess the status of Project implementation, as measured against the performance indicators referred to in Section II.A.2 of this Schedule above.

4. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

B. **Financial Management; Financial Reports; Audits**

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than one (1) month after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.
3. The Recipient shall have its entity Financial Statements, which shall include adequate disclosures on Grant operations, audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the entity Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited entity Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. Procurement and Consultant Guidelines. All goods, works and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:


   (b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

2. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank 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

Goods shall be procured on the basis of Shopping.
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 assignments which are specified in the Procurement Plan: (a) Single-source Selection of consulting firms; (b) Selection of Individual Consultants; and (c) Single-source procedures for the Selection of Individual Consultants.

D. Review by the World Bank of Procurement Decisions

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

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may 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 World Bank 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 Grant (“Category”), the allocations of the amounts of the Grant 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 Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) IVA verified accreditation: goods, works and services under Part A of the Project</td>
<td>570,600</td>
<td>100%</td>
</tr>
<tr>
<td>(2) IVA verified enrollment: services under Part B of the Project</td>
<td>816,217</td>
<td>100%</td>
</tr>
<tr>
<td>(3) IVA verified medical service delivery under Part C of the Project</td>
<td>1,281,800</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Operating Costs, including:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Fixed Costs</td>
<td>686,968</td>
<td>100%</td>
</tr>
<tr>
<td>(b) Variable Costs</td>
<td>294,415</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>$3,650,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

For the purpose of this paragraph:

(a) The term “Operating Costs” means both Fixed Costs and Variable Costs (as these terms are hereinafter defined), including expenditures directly related to the Project incurred by the Recipient (which expenditures would not have been incurred absent the Project), including salaries of personnel of the Recipient directly involved in the Project, office and other Project recurring costs, such as travel expenses, Project monitoring and evaluation, coordination with MSIA, PhilHealth, LGUs, health service providers and voucher distributors and other Project related activities approved by the World Bank.

(b) The term “Fixed Costs” means fixed costs under Operating Costs including travel costs, per diem, salaries of the Recipient’s staff specifically assigned to the Project and overhead costs.

(c) The term “Variable Costs” means the variable costs under Operating Costs including voucher marketing and sales costs, voucher administration and billing costs, enrollment empowerment activities costs and accreditation training and administration costs.
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; or

   (b) for the final 30% of the cost allocated to Variable Costs under Category 4(b) in the table above until the World Bank determines that the Recipient has satisfactorily complied with Project implementation during the mid-term review of the Project.

2. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is December 31, 2015.
APPENDIX
Definitions

1. "DENR" means the Government of Philippines' Department of Environment and Natural Resources or any successor thereto.

2. "DOH" means the Government of Philippines' Department of Health or any successor thereto.

3. "ECOP" or "Environmental Code of Practice" means a code of practice that defines methods and procedures to be followed by project proponents, consultants, designers and contractors for the avoidance or mitigation of adverse environmental effects that may arise out of infrastructure development projects or maintenance work, including for projects that are replicated and repetitive such as classroom construction, road maintenance works, drainage works etc.

4. "Environmental Management Plan" means the Recipient's plan to comply with the DOH's health care waste management manual, the environmental code of practice, and other environmental concerns as they implement the Project. "Environmental Management Plans" means the plans referred to in Section I.B of Schedule 2 to the Agreement, to be prepared by the Recipient in accordance with the Health Care Waste Management Manual and ECOP, satisfactory to the World Bank, for each Project province, which sets out the mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to eliminate any adverse environmental impacts of the Project, offset them, or reduce them to acceptable levels, or enhance positive impacts, sets out the environmental and social protection measures in respect of civil works undertaken under the Project, as well as administrative and monitoring arrangements to ensure the implementation of said plan, and including all schedules and annexes to such plan, as said plan may be revised from time to time with the prior written agreement of the World Bank.

5. "Grievance and Redress Mechanism" means the policy, guidelines, operational procedures and other implementation arrangements whereby clarifications, complaints, grievances and other queries related to the Project are identified or detected, responded to and/or resolved efficiently and effectively.


7. "IVA" means Independent Verification Agent to be selected by the World Bank, to undertake various verification tasks, including output verification under the Project.
8. "LGU" means Local Government Unit.

9. "MSIA" or "Marie Stopes International Australia" means a partner non-governmental organization that provides technical assistance to the Recipient in the implementation of the Project.

10. "NHIP" or "National Health Insurance Program" means the national social health insurance program implemented by the Philippine Health Insurance Corporation or PhilHealth.

11. "NHTS" National Household Targeting System means the targeting system implemented by the Philippine Government led by the Department of Social Welfare and Development to identify poor households using set criteria.

12. "Operations Manual" means the manual to be prepared and adopted by the Recipient in accordance with Section I.A.1 of Schedule 2 to this Agreement.

13. "Subsidy" or "Subsidies" means the amount or amounts that the Recipient will receive for the satisfactory delivery of each output meeting the eligibility criteria as verified by the IVA.

14. "Philippines Health Insurance Corporation" or "PhilHealth" means the Government of Philippines owned and controlled corporation, established under the National Health Insurance Act of 1995, responsible for managing the National Health Insurance Program operating under such Act.