Health Results Innovation Trust Fund
Grant Agreement

(Punjab Health Sector Reform Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

both acting as administrator of the Health Results Innovation Trust Fund

Dated July 9, 2014
HRITF GRANT NUMBER: TF015283

HEALTH RESULTS INNOVATION TRUST FUND
GRANT AGREEMENT

AGREEMENT dated July 1, 2014, entered into between the
ISLAMIC REPUBLIC OF PAKISTAN ("Recipient"); and the INTERNATIONAL
BANK FOR RECONSTRUCTION AND DEVELOPMENT and the INTERNATIONAL
DEVELOPMENT ASSOCIATION ("World Bank"), both acting as administrator of the
Health Results Innovation Trust Fund ("HRITF").

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 World Bank to extend a grant from the HRITF to assist in the financing of
Parts 2.2, 4.1 and 4.2 (i) of the Project;

(B) the Recipient has also requested the International Development Association
to extend a credit in an amount equivalent to sixty six million eight hundred thousand
Special Drawing Rights (SDR 66,800,000) to assist in the financing of the Project,
pursuant to the agreement entered into between the Recipient and the International
Development Association, dated December 2, 2013 ("Financing Agreement").

WHEREAS the World Bank has agreed, on the basis, inter alia, of the foregoing,
to extend a grant from the HRITF to the Recipient upon the terms and conditions set forth
in this Agreement;

NOW THEREFORE, the Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. The Standard 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 Standard Conditions or in
this Agreement (including the Appendix thereto).
Article II
The Project

2.01. The Recipient declares its commitment to the objectives 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 II of the Standard Conditions and the Project Agreement.

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 twenty million United States Dollars ($ 20,000,000) ("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:

(a) The Recipient has taken or permitted to be taken any action which would prevent or interfere with the performance by Punjab of its obligations under the Project Agreement; or
(b) Punjab has failed to perform any obligation under the Project Agreement; or

c) 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

d) 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.

Article V
Recipient's Representative; Addresses

5.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions 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.

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

The Secretary  
Economic Affairs Division  
Government of Pakistan  
Islamabad,  
Pakistan

Facsimile: (92-51) 9212769

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

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

Cable:  Telex:  Facsimile:

INDEVAS  248423 (MCI) or  1-202-477-6391
Washington, D.C.  64145 (MCI)
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: __________________________

Title: __________________________

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

By

[Signature]

Authorized Representative

Name: REYNOLD DUNZAN

Title: OPERATIONS ADVISER
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 slums 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,
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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. Institutional and Other Arrangements

A. On-lending Budgetary Arrangements

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Grant 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 World Bank.

2. Notwithstanding paragraph 1 above, in the event that any of the provisions of this Agreement, including the instructions that the World Bank 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 World Bank, developed thereunder.

D. Donor Visit

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; 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 indicators acceptable to the World Bank. 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 World Bank not later than December 15 and June 15, respectively.

2. 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 months after the Closing Date. In order to assist the Recipient in preparing the Completion Report, the Recipient shall employ consultants in accordance with the provisions of Section III of this Schedule.

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. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the World Bank, or shall cause Punjab to prepare and furnish to the World Bank the interim financial reports (“IFR”):

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

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

3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such 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 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, non-consulting-services 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:
(a) Section I of the Procurement Guidelines in the case of goods and non-consulting services, and Sections I and IV of the Consultant Guidelines in the case of consultants' services; and

(b) the provisions of this Section III, as the same shall be elaborated in the 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 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 World Bank.

(viii) Before rejecting all bids and soliciting new bids, the World Bank’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 World Bank in accordance with prior review procedures.

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

(xvi) Each contract financed from the proceeds of the Grant shall provide that the suppliers, contractors and subcontractors shall permit the World Bank, 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 World Bank. 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 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) Results Based Payments under Part 2.2 of the Project</td>
<td>10,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Performance Incentives under Part 4.1 of the Project</td>
<td>2,000,000</td>
<td>50%</td>
</tr>
<tr>
<td>(3) Consultants’ services, Training and Workshops Costs, Incremental Operating Costs under Part 4.1 of the Project</td>
<td>3,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Consultants’ services, Training and Workshops Costs, Incremental Operating Costs and Subsidies under Part 4.2 (i) of the Project</td>
<td>5,000,000</td>
<td>50%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>20,000,000</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) for payments made prior to the date of this Agreement; or

   (b) under Categories 2 and 3, until and unless Punjab has: (i) prepared, submitted to the World Bank for review and approval, and thereafter adopted the RBF Manual; and (ii) established the management unit referred to in Section I.A.4 of the Schedule to the Project Agreement;

   (c) under Category 4, until and unless Punjab has: (i) prepared, submitted to the World Bank for review and approval, and thereafter adopted the
Vouchers Manual; and (ii) established the management unit referred to in Section I.A.4 of the Schedule to the Project Agreement.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2017.
APPENDIX
Definitions


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


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

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


7. “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 World Bank.

8. “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.

9. “Executive District Officer (Health)” and the acronym “EDOH” mean the manager of District Health Office.

10. “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.

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


13. “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.

14. “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.

15. “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.

16. “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.

17. “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.

18. “Performance Management Contract” means a contract, to be concluded between Punjab, through DoH, and a District Health Office, in accordance with the provisions of Section I.H.2 of the Schedule to the Project Agreement, pursuant to which Punjab shall make a Results Based Payment out of the proceeds of the Grant to the District Health Office.

19. “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.


21. “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.

22. “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.

24. "Project Agreement" means the agreement, of same date as this Agreement, between the World Bank and Punjab relating to the implementation of the Project; as such agreement may be amended from time to time.


27. "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.


30. "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 World Bank.

31. "Results Based Payments" means payments of up to a specific amount made or proposed to be made by Punjab to a District Health Office under the Performance Management Contract and out of, inter alia, the proceeds of the Grant to assist in financing the delivery of the packages of health services by said facility under Part 2.2 of the Project.

32. "Rupees" and the acronym “Rs.” mean the currency of the Recipient.

34. "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.

35. "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 World Bank), including the purchase and publication of materials, rental of facilities, course fees, and travel and subsistence of trainees.

36. "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 World Bank.


39. "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.