Multi-donor Trust Fund for Health Results Innovation Grant Agreement

(Health Services Improvement Project)

between

REPUBLIC OF ZAMBIA

And

INTERNATIONAL DEVELOPMENT ASSOCIATION

acting as Administrator of the Multi-Donor Trust Fund for Health Results Innovation

Dated FEBRUARY 11, 2015
MDTF HRI GRANT NUMBER TF016639

MULTI-DONOR TRUST FUND FOR HEALTH RESULTS INNOVATION
GRANT AGREEMENT

AGREEMENT dated February 11, 2015, entered into between:
REPUBLIC OF ZAMBIA ("Recipient"); and INTERNATIONAL DEVELOPMENT
ASSOCIATION ("World Bank") acting as administrator of the Multi Donor Trust Fund
for Health Results Innovation (MDTF HRI). 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 February 15, 2012 ("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 I to this Agreement ("Project"). To this end, the Recipient shall carry
out the Project through the Ministry of Health (MOH) and the Ministry of
Community Development, Mother and Child Health (MCDMCH) 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 fifteen million
United States Dollars ($15,000,000) ("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
Effectiveness; Termination

4.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the following conditions have been satisfied:

(a) The Financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.

(b) The Recipient has adopted the Project Implementation Manual in accordance with the provisions of Section 1.B of the Schedule 2 to this Agreement.

4.02. 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 4.01 ("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 if 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.

4.03. 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 purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article V
Recipient’s Representative; Addresses
5.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the minister for finance.

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

Ministry of Finance
P.O. Box 50062
Lusaka, Zambia
Telex: 42221  Facsimile: (+260 211) 253494/251078

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

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America
Cable: INDEVAS  Telex: 248423 (MCI)  Facsimile: 1-202-477-6391
Washington, D.C.

AGREED at Lusaka, Zambia, as of the day and year first above written.
REPUBLIC OF ZAMBIA

By

Authorized Representative

Name: ALEXANDER B. CHILWANDA

Title: MINISTER OF FINANCE

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as Administrator of the Multi-Donor Trust Fund
for Health Results Innovation

By

Authorized Representative

Name: KUNDOHAKI KADIRACANU

Title: COUNTRY DIRECTOR
SCHEDULE 1

Project Description

The objective of the Project is to improve health delivery systems and utilization of maternal, newborn and child health and nutrition services in Project areas.

The Project consists of the following parts:

Part A: **Strengthening Capacity for Primary and Community Level MNCH and Nutrition Services**

1. Carrying out of a program of specific activities aimed at enhancing the training capacity and standards for nursing and midwifery including *inter alia*, strengthening the capacity of selected nursing training institutions to deliver an integrated and comprehensive pre-service education package on MNCH and nutrition services to nursing students, conducting applied in-service training to nurses and midwifery graduates before commencement of their employment at Primary Health Facilities in Targeted Provinces, supporting the development and roll out of continued professional development training to nurses and midwives working in Primary Health Facilities in Targeted Provinces, all through the provision of results based grants.

2. Carrying out of a program of specific activities aimed at improving supply chain systems and availability of essential commodities including *inter alia*, providing essential health and nutrition commodities, supplies and equipment in Primary Health Facilities, strengthening the capacity for storage and distribution of health and nutrition commodities and supplies from the central level to the health service delivery points, implementing the electronic based Zambia Inventory Control System (eZICS) to improve stock visibility and accountability, all through the provision of results based grants.

3. Carrying out of a program of specific activities aimed at improving referral system and linkages across levels of health care including *inter alia*, delivering a package of evidence-based high impact MNCH and nutrition interventions through Primary Health Facilities and Outreach Centers, developing guidelines and strengthening linkages amongst and between community based service delivery structures including community development committees, social welfare committees, neighborhood health committees and community health workers, developing and implementing quality checklists for the supervision and mentorship across different service delivery levels including District Hospitals, Health Centers, Health Posts and communities, provision of equipment and timely maintenance, all through the provision of results based grants.
Part B: Strengthening Utilization of Primary and Community Level MNCH and Nutrition Services through Results Based Financing Approaches

1. Carrying out of a program of specific activities by District Hospitals, Health Centers, and Health Posts to deliver Packages of Primary MNCH and Nutrition Services with a focus on maternal and child health, and nutritional services, all through the provision of quarterly quality-and-quantity adjusted results based grants to said facilities.

2. Carrying out of a program of specific activities by District Medical Offices aimed at enhancing health systems performance and health service delivery, including *inter alia*: carrying out of quality assessments, developing and applying agreed standards, guidelines and quality checklists, carrying out of supervision and on site-mentorship, improving the functionality of the referral system, carrying out of maintenance of equipment, improving human resource management including optimizing the distribution of staff, and implementing the HCWMP, all through the provision of quarterly quality-and-quantity adjusted results based grants to said offices.

3. Carrying out of a program of specific activities by Community Based Entities to *inter alia*, pilot and deliver Packages of Community MNCH and Nutrition Services with a focus on maternal and child health, and nutritional services, all through the provision of quarterly quality-and-quantity adjusted results based grants to said entities.

Part C: Strengthening Project Management and Policy Analysis

1. Provision of technical assistance to strengthen capacity for coordination, management and implementation of Project activities.

2. Developing and implementing the community health and nutrition information system and integrating it into the district health information system.

3. Building capacity of Recipient’s staff at various levels in data management, analysis, and use in decision making.

4. Carrying out of studies, surveys and assessments to inform policy choices in health and nutrition, including *inter alia*, healthcare performance, health financing, planning and budgeting, human resources for health, drugs and medical supplies.

5. Enhancing the analytical and operational knowledge of health managers in health financing, planning and budgeting.
6. Designing and setting up of verification mechanisms, and conducting verification of outputs and results of the activities supported under the Project.

7. Carrying out independent verification of outputs and results of the activities supported under the Project.

8. Conducting baseline, midline and endline surveys for the Project.

SCHEDULE 2
Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

Ministry of Health and Ministry of Community Development, Mother and Child Health

1. The Ministry of Health (MOH) and the Ministry of Community Development, Mother and Child Health (MCDMCH) shall be responsible for the overall coordination and implementation of their respective parts of the Project as elaborated in the Project Implementation Manual.

2. Notwithstanding the provisions of paragraph 1 of this Section I.A, the Recipient shall: (a) designate and thereafter maintain throughout Project implementation: (i) the directorates of policy and planning in MOH and MCDMCH with responsibility for day-to-day coordination of the Project; and (ii) the line departments in MoH and MCDMCH with responsibility for day-to-day implementation of the respective parts of the Project; (b) ensure that said directorates and line departments have an institutional framework and terms of reference satisfactory to the World Bank and have adequate resources to carry out their responsibilities under the Project; and (c) designate and thereafter maintain throughout Project implementation, the respective directors in the directorates and line departments with responsibility for the coordination and implementation, as the case may, of the Project.

Joint Management Team

3. The Recipient shall establish and thereafter maintain throughout the implementation of the Project, a Joint Management Team with terms of reference satisfactory to the World Bank and with adequate resources to carry out its functions.

4. Without limitation on the foregoing, the functions of the Joint Management Team shall be to provide overall coordination, technical and administrative support to the Project.

Provincial and District RBF Committees

5. The Recipient shall (a) maintain, throughout the implementation of the Project, the Provincial RBF Committees and District RBF Committees in each Targeted Province and selected District respectively, with functions, composition and resources satisfactory to the
Association; and (b) for each such additional District without a District RBF Committee, establish prior to Project implementation in said District, and thereafter maintain throughout Project implementation, such District RBF Committee, with functions and composition satisfactory to the Association and with adequate resources to carry out its functions under the Project.

6. Without limitation to the provisions of Paragraph 5 of this Section I.A, the Provincial RBF Committee shall be responsible for validating the quantity and quality of services delivered by, and payments to DMOs and District Hospitals.

7. Without limitation to the provisions of Paragraph 5 of this Section I.A, the District RBF Committee shall be responsible for validating the quantity and quality of services delivered by, and payments to, Health Centers, Health Posts and Community Based Entities.

B. Implementation Arrangements

Project Implementation Manual

1. The Recipient shall prepare, in accordance with terms of reference acceptable to the World Bank and furnish to the World Bank for its approval, a proposed implementation manual for the Project containing detailed administrative, procurement, financial management, safeguards, monitoring and evaluation procedures and arrangements for the Project.

2. Without limitation upon the foregoing, said manual shall include, inter alia, a detailed elaboration of:

(a) institutional and operational arrangements for coordination and mainstreaming of results based financing in government structures;
(b) institutional, administrative and reporting arrangements for the implementation of the results based financing activities under the Project including the modalities for carrying out the impact evaluation;
(c) institutional and operation arrangements for internal and external verification of results of Project activities;
(d) criteria for selection and participation of health facilities, training institutions and community based organizations in the Project;
(e) the goods and services to be delivered under each Package of Primary MNCH and Nutrition Services;
(f) the goods and services to be delivered under each Package of Community MNCH and Nutrition Services under the Project;
(g) the criteria for the Health Systems Strengthening Performance Framework for District Medical Offices;

(h) (i) the methodology for calculating the unit price to be paid for each PPMNS and PCMNS to be delivered under a Subproject, said unit price to be calculated on the basis of a methodology acceptable to the World Bank ("Unit Price"), and (ii) the procedures for the evaluation and updating of the Unit Price for each PPMNS and PCMNS;

(i) a model form of agreement for the provision of Sub-project Grants;

(j) the procedures for approval, monitoring and evaluation of the Sub-projects and for granting of Sub-project Grants; and

(k) the procedures and criteria for development and delivery of training under the Project.

3. The Recipient shall exchange views with the World Bank on said Project implementation manual; and thereafter adopt such Project implementation manual as shall have been approved by the World Bank (including the initial Unit Price for each PPMNS and PCMNS) ("Project Implementation Manual").

4. The Recipient shall:

(a) ensure that the Project is carried out in accordance with the Project Implementation Manual, as the same may be updated from time to time with the prior written agreement of the World Bank;

(b) without limitation upon the foregoing, not later than October 30 in each calendar year during the Project implementation period: (i) prepare, in accordance with terms of reference satisfactory to the World Bank and elaborated in the Project Implementation Manual, and furnish to the World Bank for its review, an evaluation of the Unit Price for each PPMNS and PCMNS and recommendations of any adjustment required to be made to said Unit Price to ensure that it continues to comply with the criteria set forth in Section I.B.2(h) of this Schedule 2; (ii) afford the World Bank a reasonable opportunity to exchange views with the Recipient on each said evaluation and recommendation; and (iii) promptly adopt and apply such adjusted Unit Price for each PPMNS and PCMNS as shall have been approved by the World Bank, under Subproject Grants; and

(c) not otherwise revise or waive any provision of the Project Implementation Manual without the prior written agreement of the World Bank.
5. Notwithstanding the foregoing, in the event of any inconsistency between the provisions of the Project Implementation Manual and those of the Financing Agreement, the provisions of the Financing Agreement shall prevail.

Annual Work Plan and Budget

6. The Recipient shall, not later than October 30 of each year prepare and furnish to the World Bank, an annual program of activities proposed for implementation under the Project during the following Fiscal Year, together with a proposed budget for the purpose.

7. The Recipient shall exchange views with the World Bank on each such proposed annual work plan, and shall thereafter adopt, and carry out such program of activities for such following Fiscal Year as shall have been agreed with the World Bank, as such plan may be subsequently revised during such following Fiscal Year with the prior written agreement of the World Bank (Agreed Annual Work Plan).

C. Sub-project Grants

General

1. For the purpose of carrying out the activities ("Sub-projects") under Part B of the Project, the Recipient shall make grants to District Medical Offices, District Hospitals, Health Centers, Health Posts and Community Based Entities (individually, "Sub-project Grant" and collectively, "Sub-project Grants") (individually, "Beneficiary" and collectively, "Beneficiaries") in accordance with eligibility criteria and procedures acceptable to the World Bank and elaborated in the PIM, and shall make no Sub-project Grant payments to any Beneficiary unless such payment satisfies the conditions for payment specified in this Agreement, the PIM and the respective Sub-project Grant Agreement.

Sub-project Grant Agreements

2. The Recipient shall make each Sub-project Grant under a Sub-project Grant Agreement between MOH or MCDMCH and the respective Beneficiary on terms and conditions approved by the World Bank, which, inter alia, shall include the following:

   (a) The Sub-project Grant Agreement shall specify the results and performance targets to be achieved by the Beneficiary, including: (i) in the case of District Medical Offices Sub-project Grant Agreements the targets to be achieved by District Medical Offices against the Health Systems Strengthening Performance Framework; (ii) in the case of District Hospitals Sub-project Grant Agreements, the Package of Primary MNCH and Nutrition Services to be delivered by District Hospitals; (iii) in the
case of Health Centers Sub-project Grant Agreements, the Package of Primary MNCH and Nutrition Services to be delivered by Health Centers; (iv) in the case of Health Post Sub-project Grant Agreements, the Package of Primary MNCH and Nutrition Services to be delivered by Health Posts; and (v) in the case of Community Based Entities Sub-project Grant Agreements, the Package of Community MNCH and Nutrition Services to be delivered by Community Based Entities; all in accordance with the provisions of this Agreement as further elaborated in the PIM.

(b) The Sub-project Grant Agreement shall specify the arrangements for verification of the quantity and quality of results to be delivered by the Beneficiary.

(c) The Sub-project Grant Agreement shall specify the maximum Sub-project Grant amounts payable against the outputs specified in the Sub-project Grant Agreement, the periodicity of payments, the conditions for payments and the methodology for determining the amount of payments during each payment period, including: (i) the maximum amounts allocated to each target of the Health Systems Strengthening Performance Framework to be achieved by District Medical Offices; (ii) the Unit Prices for each service included in the Package of Primary MNCH and Nutrition Services to be delivered by District Hospitals, Health Centers and Health Posts; and (iii) the Unit Prices for each service included in the Package of Community MNCH and Nutrition Services to be delivered by Community Based Entities respectively, including the arrangements for periodic review and recalculation of said Unit Prices.

(d) The Sub-project Grant shall be made on a non-reimbursable grant basis.

(e) The Recipient shall obtain rights under each of the Sub-project Grant Agreement adequate to protect its interests and those of the World Bank, including the right to:

(i) suspend or terminate the right of the Beneficiary to use the proceeds of the Sub-project Grant, or obtain a refund of all or any part of the amount of the Sub-project Grant then withdrawn, upon the Beneficiary's failure to perform any of its obligations under the Sub-project Grant Agreement; and

(ii) require each Beneficiary to:

(A) carry out the Subproject with due diligence and efficiency and in accordance with sound public health, environmental and social and administrative standards
and practices acceptable to the World Bank, including in accordance with the Project Implementation Manual, the Health Care Waste Management Plan and the Anti-Corruption Guidelines;

(B) provide promptly, as needed, the resources required for the purpose;

(C) use the proceeds of the Sub-project Grant for eligible expenditures specified in the Sub-project Grant Agreement;

(D) procure any goods, works and/or services required for the Sub-project and to be financed out of the proceeds of the Sub-project Grant in accordance with the provisions of Section III of this Schedule;

(E) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the World Bank, the progress of the implementation of the Sub-project and the achievement of its objectives;

(F) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect its operations, resources and expenditures, including those related to the Sub-project Grant; and (2) have such financial statements audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank, and promptly furnish the statements as so audited to the World Bank;

(G) enable the World Bank and the Recipient to inspect its facilities, operations and any records and documents relevant to the Sub-project; and prepare and furnish to the World Bank and the Recipient all such information as either shall reasonably request relating to the implementation of the Sub-project;

(H) permit the World Bank to make the Sub-project Grant Agreement and all financial statements audited pursuant to sub-paragraph (F) above available to the public in
accordance with the World Bank’s policies on access to information; and

(i) prepare and furnish to the Recipient and the World Bank all such further information as the Recipient or the World Bank shall reasonably request relating to the foregoing.

3. The Recipient shall exercise its rights and perform its obligations under each Sub-project Grant Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Financing. Except as the World Bank and the Recipient shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Sub-project Grant Agreement or any of its provisions.

Payments under Sub-project Grants

4. The Recipient shall ensure that:

(i) the payments made under District Medical Offices Sub-project Grants shall be adjusted to reflect performance against the Health Systems Strengthening Performance Framework and shall not exceed the maximum amount allocated to each criterion for the year for which payment is requested and shall exclude any amount of eligible expenditures financed from other sources of financing;

(ii) (a) the payments made under District Hospitals Sub-project Grants, Health Centers Sub-project Grants, Health Posts Sub-project Grants and Community-Based Entities Sub-project Grants shall be determined using the unit price to be paid for each service under the PPMNS and PCMNS, each of which unit price shall be calculated on the basis of a methodology acceptable to the World Bank ("Unit Price"), and designed to ensure that the Unit Price: (A) does not exceed the reasonable cost of the PPMNS or PCMNS to be delivered and financed under the Subproject Grants; (B) is scaled to reflect the quality of PPMNS or PCMNS delivered, the conditions of the locations where the PPMNS or PCMNS are to be delivered, and the need to ensure a balance between PPMNS or PCMNS and other health services that need to be made available in the Project area; and (C) excludes any amount of the cost of PPMNS or PCMNs which are to be financed under other sources of financing (including under Part A of this Project); and (b) not later than October 30 in each year, the Unit Price is reviewed and adjusted, in a manner and at a level acceptable to the World Bank, as necessary to ensure that it continues to comply with the criteria set forth in sub-paragraph (a) of this Sub-section 4 (ii).
Verification of Sub-project Grants

5. (a) **Internal Verification.** Prior to each quarterly payment to a Beneficiary under a Sub-project Grant, the Recipient shall, under terms of reference acceptable to the World Bank and elaborated in the PIM, ensure that: (i) the Provincial RBF Committee verifies the performance achieved against the Health Systems Strengthening Performance Framework under the District Medical Offices Sub-project Grants; (ii) the Provincial RBF Committee verifies the quality and quantity of the PPMNS delivered under the District Hospitals Sub-project Grants for which such payment is requested; (iii) The District RBF Steering Committee verifies the quality and quantity of the PPMNS delivered under the Health Centre and Health Posts Sub-project Grants for which such payment is requested; (iv) the District Hospital verifies the quality of care at Health Centers and Health Posts; and (v) the Health Centre verifies the quality and quantity of the PCMNS delivered under the Community Based Entities Sub-project Grants for which such payment is requested.

(b) **External Verification.** The Recipient shall, not later than June 30, 2015, engage in accordance with the provisions of Section III of this Schedule 2, the independent verification agent referred to under Part C (7) of the Project, under terms of reference, qualifications and experience satisfactory to the World Bank, to monitor, evaluate and report on the implementation of Sub-projects, and to conduct independent verifications as detailed in the PIM of: (i) the performance achieved by District Medical Offices against the Health Systems Strengthening Performance Framework under the respective Sub-project Grant; (ii) the delivery of PPMNS by each District Hospital under the respective Sub-project Grant; (iii) the delivery of PPMNS by each Health Centre under the respective Sub-project Grant; (iv) the delivery of PPMNS by each Health Post under the respective Sub-project Grant; and (v) the delivery of PCMNS by each Community Based Entity under the respective Sub-project Grant.

D. **Anti-Corruption**

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

E. **Safeguards**

1. The Recipient shall ensure that the Project is carried out in accordance with the provisions of the HCWMP, and shall not amend, abrogate or waive, or permit to be amended, abrogated or waived, the HCWMP or any of its provisions without prior approval in writing by the World Bank, subject to the same approval and disclosure requirements as applicable to the adoption of the HCWMP.
2. Not later than June 30, 2015, the Recipient shall; (i) in accordance with terms of reference acceptable to the World Bank, update the said HCWMP and furnish said updated HCWMP to the World Bank for its approval; (ii) thereafter disclose the updated HCWMP in country and at the Infoshop; (iii) thereafter ensure that the Project is carried out in accordance with the provisions of the updated HCWMP; and (iv) shall not amend, abrogate or waive, or permit to be amended, abrogated or waived, the updated HCWMP or any of its provisions without prior approval in writing by the World Bank.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

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 and set out in the Project Implementation Manual. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.

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 as part of the Project Report not later than forty-five (45) days 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 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.

4. The Recipient shall: (i) not later than June 30, 2015, set up and operationalize the audit committee in MCDMCH, with composition and terms of reference acceptable to the World Bank; and (b) thereafter maintain the said audit committee throughout the implementation of the Project.

Section III. Procurement
A. General

1. **Procurement and Consultant Guidelines.** All goods, works 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 “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”) in the case of goods, works and non-consulting services, and Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“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 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, Works and Non-consulting Services**

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

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

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3. Additional Provisions and Modifications to National Competitive Bidding

The procurement procedure to be followed for National Competitive Bidding ("NCB") shall be the open bidding procedure set forth in the Public Procurement Act, 2008, Act No. 12 of 2008, as amended by the Public Procurement (Amendment) Act, 2011, Act No. 15 of 2011 (the "PPA"), and the Public Procurement Regulations, 2011, Statutory Instrument No. 63 of 2011 (the "Regulations"); provided, however, that such procedure shall be subject to the provisions of Section I and Paragraphs 3.3 and 3.4 of Section III, and Appendix I of the "Guidelines for Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" (January 2011) (the "Procurement Guidelines"), and the additional provisions in the following paragraphs:

(a) Eligibility: Eligibility to participate in a procurement process and to be awarded a World Bank-financed contract shall be as defined under Section I of the Procurement Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the World Bank for reasons other than those provided in Section I of the Procurement Guidelines. No restriction based on nationality of bidders and/or origin of goods shall apply, and foreign bidders shall be allowed to participate in NCB without application of restrictive conditions, such as, but not limited to, mandatory partnering or subcontracting with national entities.

(b) Domestic Preference: No margins of preference of any sort shall be applied in the bid evaluation.

(c) Bidding Documents: Procuring entities shall use bidding documents acceptable to the World Bank.
(d) Bid validity: An extension of bid validity, if justified by exceptional circumstances, may be requested in accordance with Appendix 1 of the Procurement Guidelines. A corresponding extension of any bid guarantee shall be required in all cases of extension of bid validity. A bidder may refuse a request for extension of bid validity without forfeiting its bid guarantee.

(e) Qualification: Qualification criteria shall be clearly specified in the bidding documents. All criteria so specified, and only such specified criteria, shall be used to determine whether a bidder is qualified. Qualification shall be assessed on a "pass or fail" basis, and merit points shall not be used. Such assessment shall be based entirely upon the bidder’s or prospective bidder’s capability and resources to effectively perform the contract, taking into account objective and measurable factors, including: (i) relevant general and specific experience, and satisfactory past performance and successful completion of similar contracts over a given period; (ii) financial position; and where relevant (iii) capability of construction and/or manufacturing facilities.

(f) Prequalification procedures and documents acceptable to the World Bank shall be used for large, complex and/or specialized works. Verification of the information upon which a bidder was prequalified, including current commitments, shall be carried out at the time of contract award, along with the bidder’s capability with respect to personnel and equipment. Where pre-qualification is not used, the qualification of the bidder who is recommended for award of contract shall be assessed by post-qualification, applying the qualification criteria stated in the bidding documents.

(g) Bid Evaluation: All bid evaluation criteria other than price shall be quantifiable in monetary terms. Merit points shall not be used, and no minimum point or percentage value shall be assigned to the evaluation criteria or significance of price in bid evaluation. No negotiations shall be permitted.

(h) Guarantees: Guarantees shall be in the format, shall have the period of validity and shall be submitted when and as specified in the bidding documents.

(i) Cost Estimates: Detailed cost estimates shall be confidential and shall not be disclosed to prospective bidders. No bids shall be rejected on the basis of comparison with the cost estimates without the World Bank’s prior written concurrence.
Rejection of bids and re-bidding: No bid shall be rejected solely because it falls outside of a predetermined price range or exceeds the estimated cost. All bids (or the sole bid if only one bid is received) shall not be rejected, the procurement process shall not be cancelled, and new bids shall not be solicited without the World Bank's prior written concurrence.

Fraud and corruption: In accordance with the Procurement Guidelines, each bidding document and contract shall include provisions stating the World Bank's policy to sanction firms or individuals found to have engaged in fraud and corruption as set forth in the Procurement Guidelines.

Inspection and audit rights: In accordance with the Procurement Guidelines, each bidding document and contract shall include provisions stating the Bank's policy with respect to inspection and audit of accounts, records and other documents relating to the submission of bids and contract performance.

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 table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultant services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality-based Selection</td>
</tr>
<tr>
<td>(b) Least Cost Selection</td>
</tr>
<tr>
<td>(c) Selection based on Consultants' Qualifications</td>
</tr>
<tr>
<td>(d) Single-source Selection of consulting firms</td>
</tr>
</tbody>
</table>
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) Goods, works, consultant services, non-consulting services, Training and Operating Costs required for Sub-Projects and to be financed out of Sub-project Grants under Part B of the Project</td>
<td>12,000,000</td>
<td>50% of the amounts paid by the Recipient under Sub-project Grants</td>
</tr>
<tr>
<td>Category</td>
<td>Amount of the Grant Allocated (expressed in USD)</td>
<td>Percentage of Expenditures to be Financed (inclusive of Taxes)</td>
</tr>
<tr>
<td>-------------------------------------------------------------------------</td>
<td>---------------------------------------------------</td>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>(2) Consultants services under Part C.7 of the Projects</td>
<td>3,000,000</td>
<td>60%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>15,000,000</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 for payments made prior to the date of this Agreement.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2019.
APPENDIX

1. “Agreed Annual Work Plan” means the program of activities agreed each Fiscal Year between the Recipient and the World Bank for implementation under the Project in accordance with Section I.B.6 of Schedule 2 to this Agreement during the following Fiscal Year, as the same may be revised from time to time in accordance with said Section.


3. “Beneficiaries” means the District Medical Offices, the District Hospitals, the Health Centers or the Community Based Entities which meet the eligibility criteria specified in the PIM for receiving Sub-project Grants and to which or for whose benefit a Sub-Project Grant is made or proposed to be made and “Beneficiary” means one such District Medical office, District Hospital, Health Center or Community Based Entity.

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

5. “Community Based Entities” means community level based organizations or groups which are selected or meet the eligibility criteria specified in the PIM for receiving Sub-project Grants and to which or for whose benefit a Sub-Project Grant is made or proposed to be made, and “Community Based Entity” means one such organization or group.


7. “District” means an administrative subdivision of the Recipient, established pursuant to established pursuant to the Provincial and District Boundaries Act, Chapter 286 of the laws of the Recipient.

8. “District Hospital” means the Recipient’s District level general hospital which is selected or meet the eligibility criteria specified in the PIM for receiving Sub-project Grants and to which or for whose benefit a Sub-Project Grant is made or proposed to be made.

9. “District Medical Offices” means the Recipient’s District level medical offices which are selected or meet the eligibility criteria specified in the PIM for receiving
Sub-project Grants and to which or for whose benefit a Sub-Project Grant is made or proposed to be made.

10. "District RBF Committee" means a committee established for purposes of the Project at the District level and referred to in Section I.A.5 of Schedule 2 to this Agreement and comprising the council secretary as chairperson, the district medical officer, the medical superintendent of the district hospital, the district health planner, the district health information officer, the district pharmacist, the zonal health in charge representative from government/local authority institutions, a representative of local non-governmental organizations and a representative of the community.

11. "Financing" means an amount equivalent to thirty three million, nine hundred thousand Special Drawing Rights (SDR 33,900,000) to be provided by the World Bank, to assist in financing the Project.

12. "Financing Agreement" means the agreement between the Recipient and the World Bank, dated the same date as the Grant Agreement, providing for the Financing, as Agreement may be amended from time to time. "Financing Agreement" includes all appendices, schedules and agreements supplemental to the Financing Agreement.

13. "Fiscal Year" and the acronym "FY" means the Recipient's fiscal year commencing January 1 and ending December 31 in each year.

14. "Health Care Waste Management Plan" or "HCWMP" means the plan dated October 2009 prepared and adopted by the Recipient, for the period 2010-2014 defining the set of mitigation, enhancement, monitoring, and institutional measures to be taken during implementation of the Project to eliminate any adverse environmental impacts of medical waste, offset them, reduce them to acceptable levels, or to enhance positive impacts of the Project activities, as such plan may be amended by the Recipient from time to time, with the prior written approval of the World Bank in accordance with Section I.F of Schedule 2 to this Agreement.

15. "Health Center" means a Recipient's health facility which is selected or meets the eligibility criteria specified in the PIM for receiving Sub-project Grants and to which or for whose benefit a Sub-Project Grant is made or proposed to be made.

16. "Health Post" means the Recipient's health facility immediately below the Health Centre.

17. "Health Systems Strengthening Framework" means the Recipient's framework agreed with the World Bank, setting out the measures to be undertaken by the respective District Medical Offices for purposes of strengthening service delivery
at the District level and the respective targets to be met by said District Medical Offices in the agreed period.

18. "Joint Management Team" means a team established for purposes of the Project and referred to in Section I.A.3 of Schedule 2 to this Agreement co-chaired by the permanent secretaries of MOH and MCDMCH, and comprising representatives from the line departments in each of the ministries.

19. "Medical Stores Ltd" means an autonomous government agency incorporated and operating under the Companies Act, Cap 388 of the Laws of the Recipient, responsible for the supply of drugs and medical equipment to health facilities or its legal successor thereto.

20. "MNCH" means maternal, new born and child health.

21. "Ministry of Chiefs and Traditional Affairs" means the Recipient's ministry responsible for matters relating to chiefs and traditional affairs.

22. "Ministry of Community Development, Mother and Child Health" or "MCDMCH" means the Recipient's ministry responsible at the time for community development and maternal and child health.


24. "Ministry of Health" or "MOH" means the Recipient’s ministry responsible at the time for health.

25. "Ministry of Local Government and Housing" means the Recipient’s ministry responsible for matters relating to local government and housing.

26. "National Food and Nutrition Commission" means the Recipient’s technical and advisory agency responsible for food and nutritional matters, established and operating pursuant to Act No.41 of 1967 or its legal successor thereto.

27. "Neighborhood Health Committees" mean the Recipient’s health committees comprising local community members from the neighborhood.

28. "Operating Costs" mean, for each Annual Work Program, the reasonable costs, which shall have been agreed by the World Bank under said Annual Work Program for the incremental expenses incurred on account of Project implementation, consisting of: vehicle operation and maintenance, communication and insurance costs, banking charges, rental expenses, office (and office equipment) maintenance, utilities, document duplication/printing, consumables, travel cost and per diem for Project staff for travel linked to the implementation of the Project,
and salaries of contractual staff for the Project (but excluding regular salaries of officials of the Recipient’s civil service).

29. “Outreach Centers” means the Recipient’s satellite centers at which Health Centers provide outreach medical services.

30. “Package of Community MNCH and Nutritional Services” and “PCMNS” means a specific package of basic community health services elaborated in the Project Implementation Manual, to be delivered by Community Based Entities in Targeted Provinces under Part B (3) of the Project in accordance with the provisions of Section I.C of Schedule 2 to this Agreement.

31. “Package of Primary MNCH and Nutritional Services” and “PPMNS” means a specific package of basic health services elaborated in the Project Implementation Manual, to be delivered by Health Centers and District Hospitals in Targeted Provinces under Part B (1) of the Project in accordance with the provisions of Section I.C of Schedule 2 to this Agreement.

32. “Primary Health Care Facilities” means District Hospitals, Health Centers and Health Posts”.


34. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 13, 2014 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.

35. “Project Implementation Manual” or “PIM” means the Project Implementation Manual in form and substance acceptable to the World Bank prepared by the Recipient in accordance with the provisions of Section I.B of Schedule 2 to this Agreement, as the same may be amended in accordance with the provisions of said Section.

36. “Province” means an administrative subdivision of the Recipient, established pursuant to the Provincial and District Boundaries Act, Chapter 286 of the laws of the Recipient.

37. “Provincial RBF Committee” means a committee established for purposes of the Project at the provincial level and referred to in Section I.A.5 of Schedule 2 to this Agreement and comprising the provincial medical officer of health as chairperson, the provincial RBF technical specialist, the provincial health planner, the clinical
care expert, the data management specialist, the provincial pharmacist, the medical superintendent of a general hospital, representative from a government department and up to three (3) representatives of local non-governmental organizations.

38. "RBF" means results-based financing.

39. "Sub-project" means a specific development project for the delivery of PPMNS and PCMNS or for implementing measures for health systems strengthening to be carried out by a Beneficiary under Part B of the Project utilizing the proceeds of a Sub-project Grant.

40. "Sub-project Grant" means a grant made or proposed to be made by the Recipient to Beneficiaries out of, inter alia, the proceeds of the Financing to assist in financing a Sub-project.

41. "Sub-project Grant Agreement" means an agreement acceptable to the World Bank, to be concluded between MOH or MDCCMCH and a Beneficiary, in accordance with the provisions of Section I.C of Schedule 2 to this Agreement, pursuant to which the Recipient shall make a Sub-grant out of the proceeds of the Financing to Beneficiaries.

42. "Targeted Provinces" means the Provinces of Luapula, North Western, Northern, Muchinga and Western.

43. "Training" means, for each Agreed Annual Work Plan, the reasonable costs, which shall have been agreed by the World Bank under said Agreed Annual Work Program, and for the training and workshops included in said Agreed Annual Work Program, including tuition, travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course and workshop preparation and implementation (but excluding goods and consulting services).

44. "Unit Price" means, for each PPMNS or PCMNS, the unit price thereof determined in accordance with the provisions of Section I.B of Schedule 2 to this Agreement.

45. "United Nations Office for Procurement Services" or "UNOPS" means an agency of the United Nations established in 1974 to expand the capacity of the United Nations system and its partners to implement peace building, humanitarian and development operations that matter for people in need.

46. "Zambia Inventory Control System" or "eZICs" means the Recipient's electronic based inventory control system.