Honorable Amara M. Konneh
Minister of Finance
Ministry of Finance
P.O. Box 10-9013
Broad Street
Monrovia, Liberia

Re: MDTF-Health Result Innovation (HRI) - Grant No. TF013274
Republic of Liberia – Health Result Based Financing (HRBF)
Design Project
Grant Agreement

Honorable Konneh:

In response to the request for financial assistance made on behalf of the Republic of Liberia ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development/International Development Association ("World Bank"), acting as administrator of grant funds provided by various donors ("Donors") under the Multi Donor Trust Fund for Health Result Innovation Grant, proposes to extend to the Recipient a grant in an amount not to exceed eight hundred fifty thousand United States Dollars (U.S.$850,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), 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.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer
of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within 90 days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT/INTERNATIONAL DEVELOPMENT ASSOCIATION

By
Yusupha Crookes
Country Director for Liberia
Africa Region

AGREED:
REPUBLIC OF LIBERIA

By
Amara M. KINNEH
Authorized Representative
Title MINISTER OF FINANCE
Date: 2-14-13

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** 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. **Definitions.** 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 and the following term has the following meanings:

"Essential Package of Health Services" or "EPHS" means a comprehensive package of services delivered free of charge, under the Recipient's free health care policy, at selected primary and secondary health facilities, with focus on maternal health, child health, and infectious diseases, as defined in the Operations Manual.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to assist the Recipient in preparing a proposed health project whose aim is to improve the quality of selected health interventions under the Essential Package of Health Services (EPHS). The Project consists of the following parts:

(i) **Part 1: Performance Based Financing Operations Manual**

Design of a draft performance-based financing operations manual for the implementation of specific activities consisting of the delivery of Essential Package of Health Services with focus on maternal and child health and infectious disease services in target counties under the Project ("Operations Manual"), such Operations Manual to include, *inter alia*:

(i) criteria for identification and costing of EPHS and quality checklist;
(ii) criteria for eligibility of health service providers to receive financing for purposes of delivering such packages;
(iii) the procedures for selection of such providers, the terms and conditions of their receiving such financing;
(iv) measures to ensure proper implementation of such packages in accordance with such terms and conditions, including a health care waste management plan ("Health Care Waste Management Plan") required for such packages;
(v) definition of outputs for both the EPHS and the quality checklist;
(vi) modalities for performance based financing (PBF), including for the provision of incentive bonuses to target secondary health providers;
(vii) the role of the county health and social welfare team (CHSWT);
(viii) a system for the monitoring and evaluation of the interventions so financed, including format of reports and verification of the results of such packages; and
such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project.

(b) **Part 2: PBF Pre-pilot Activities**

(i) Provision of sub-grants (individually “Performance Based Sub-grant” or collectively “Performance Based Sub-grants”) to eligible secondary health service providers (individually “Beneficiary” or collectively “Beneficiaries”) for the carrying out, on a pilot basis, of specific activities comprising EPHS and a quality checklist developed in accordance with the Operations Manual (individually “Performance Based Sub-project” or collectively “Performance Based Sub-projects”), with the aim of testing and adjusting approaches to improve the quality of selected health interventions in selected health facilities of the Recipient’s territory.

(c) **Part 3: Project Management**

(i) Provision of training to Beneficiaries, the Recipient’s health staff and other persons involved in the implementation, oversight or evaluation of the Performance Based Sub-projects;

(ii) Provision of technical advisory services and operating support required for the efficient implementation of the Project, including: (i) the financing of an independent agent verification costs; and (ii) the preparation of a safeguard assessment; (iii) the recruitment of project team; and (iv) the procurement of office supplies; and

(iii) Refurbishing of the office space dedicated to the Project.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through its project management unit (“Project Management Unit”) in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) 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”); and (c) this Article II.

2.03. **Institutional and Other Arrangements**

A. **Project Management Unit**

Without limitations upon Section 2.02 above, the Recipient shall maintain at all times during the implementation of the Project the Project Management Unit, established within the Recipient’s Ministry of Health and Social Welfare, with staff in numbers, with functions, qualifications and experience acceptable to the World Bank, to be responsible for the overall coordination of the Project.

B. **CHSWT**

The Recipient shall ensure that the CHSWT shall maintain throughout the implementation of the Project an implementation structure with staffing and resources satisfactory to the World Bank,
tasked with the function of local regulator. Such function includes providing support to health facilities to ensure the adequate availability of drugs and supplies centrally procured, and the carrying out of quality assessments of target health facilities.

C  Performance Based Sub-grant

To facilitate the carrying out of Part 2 of the Project, the Recipient shall make parts of the proceeds of the Grant available to the respective Beneficiary, in accordance with eligibility criteria and procedures acceptable to the World Bank and elaborated in the Operations Manual, under a Performance Based Sub-grant agreement ("Performance Based Sub-grant Agreement") acceptable to the World Bank, which shall include, *inter alia*:

(a) the outputs and performance targets to be achieved by the Beneficiary, including the services to be delivered;

(b) the arrangements for verification of the quantity and quality of outputs delivered by the Beneficiary;

(c) the maximum amounts payable against the outputs specified in the Performance Based Sub-grant Agreement, the periodicity of payments, the conditions for payments and the methodology for determining the amount of payments during each payment period;

(d) the Recipient's right to suspend or terminate the right of the Beneficiary to use the proceeds of the Performance Based Sub-grant, or obtain a refund of all or any part of the amount of the Performance Based Sub-grant Agreement, upon the Beneficiary's failure to perform any of its obligations under the Performance Based Sub-grant Agreement; and

(e) the Beneficiary's obligation to:

   (i) carry out the Performance Based Sub-project 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 Operations Manual, the Health Care Waste Management Plan and the Anti-Corruption Guidelines;

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

   (iii) procure any goods and/or services required for the Performance Based Sub-project and to be financed out of the proceeds of the Performance Based Sub-grant in accordance with the provisions of Section 2.06 of this Annex as further elaborated in the Operations Manual;

   (iv) 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 Performance Based Sub-project and the achievement of its objectives;
(v) 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 Performance Based Sub-grant; and (2) at the World Bank’s or the Recipient’s request, 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 and the Recipient;

(vi) enable the World Bank and the Recipient to inspect its facilities, operations and any records and documents relevant to the Performance Based 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 Performance Based Sub-project;

(vii) 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;

(viii) not assign, amend, abrogate or waive any provision of the Performance Based Sub-grant Agreement.

D. Health Care Waste Management Plan

Recipient shall prepare and adopt the Health Care Waste Management Plan, 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.

2.04. Project Monitoring, Reporting and Evaluation. (a) 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 set forth in the Operations 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 days after the end of the period covered by such report.

(b) 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 2.06 of this Agreement.
2.05. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank 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.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

2.06. **Procurement**

(a) **General.** 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:

(i) 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 and non-consulting services;

(ii) 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

(iii) the provisions of this Section, 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”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of 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 I, III, IV and V of the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods, Works and Non-consulting Services**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts
which are specified in the Procurement Plan: (a) Limited International Bidding; (b) Shopping; (c) Direct Contracting; and (d) National Competitive Bidding, subject to the following additional provisions: (1) foreign bidders shall be allowed to participate in the NCB procedures; (2) bidders shall be given at least one month to submit bids from the date of the invitation to bid, or the date of availability of bidding documents, whichever is later; (3) no domestic preference shall be given for domestic bidders for goods and works; and (4) in accordance with paragraph 1.16(e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Credit shall provide that: (A) the bidders, suppliers, contractors and subcontractors shall permit the World Bank, at its request, to inspect their accounts and records relating to the bid submission and performance of the contract, and to have said accounts and records audited by auditors appointed by the Association; and (B) the deliberate and material violation by the bidder, supplier, contractor or subcontractor of such provision may amount to an obstructive practice as defined in paragraph 1.16(a)(v) of the Procurement Guidelines.

(d) Particular Methods of Procurement of Consultants' Services

(i) Except as otherwise provided in item (ii) below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Fixed Budget Selection; (C) Least Cost Selection; (D) Selection based on Consultants' Qualifications; (E) Single-source Selection of consulting firms (F) Selection of Individual Consultants; and (G) Single-source procedures for the Selection of Individual Consultants.

(e) 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.

Article III
Withdrawal of Grant Proceeds

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) 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 following table. The 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, Training, Consultants' services and Operating Costs for Parts 1 and 3 of the Project</td>
<td>535,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Performance Based Sub-grants required for Part 2 of the Project</td>
<td>315,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>850,000</td>
<td></td>
</tr>
</tbody>
</table>

For purposes of the table set forth in paragraph (a) of this Section, the term:

(i) “Operating Costs” means the reasonable costs of the following incremental expenditures incurred in carrying out the Project, which shall have been agreed with the World Bank: (A) vehicle operation and maintenance, (B) office supplies and office administration costs; (C) communications charges, insurance costs and banking, utility and rental charges; (D) salaries of Project team, but excluding salaries of consultants and officials of the Recipient’s civil service; and (E) travel and per diem for staff for travel linked to the implementation of the Project; and

(ii) “Training” means the reasonable costs, which shall have been agreed by the World Bank, associated with the training and workshop participation of personnel involved in carrying out the Project, including 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.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made:

(a) for payments made prior to the date of countersignature of this Agreement by the Recipient;

(b) under Category (2) unless and until the Recipient shall have furnished evidence satisfactory to the World Bank that the Recipient shall have adopted: (i) the Operations Manual as described in Section 2.01 (a) of this Annex; and (ii) the Health Care Waste Management Plan as described in Section 2.03 D of this Annex.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2015.
Article IV
Recipient's Representative; Addresses

4.01. Recipient's Representative. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its minister at the time responsible for finance.

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

Ministry of Finance
Broad Street
1000 Monrovia 10
Republic of Liberia

4.03. World Bank's Address. 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: INTBAFRAD Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391

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