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LOAN NUMBER 4222-PAK (COL)

LOAN AGREEMENT  
(Ordinary Operations [Concessional])  
(Khyber Pakhtunkhwa Health Systems Strengthening Program)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 4 November 2022

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PAK 54297

**LOAN AGREEMENT**  
**(Ordinary Operations [Concessional])**

LOAN AGREEMENT dated 4 November 2022 between ISLAMIC REPUBLIC OF PAKISTAN ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

**WHEREAS**

(A) the Borrower has applied to ADB for a loan for the purposes of the Program described in Schedule 1 to this Loan Agreement;

(B) the Program will be carried out by the government of Khyber Pakhtunkhwa (as defined hereinafter) and for this purpose the Borrower will make available to the government of Khyber Pakhtunkhwa the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB; and

(C) ADB has agreed to make a concessional loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein and in the Program Agreement of even date herewith between ADB and the government of Khyber Pakhtunkhwa;

NOW THEREFORE the parties agree as follows:

**ARTICLE I**

**Loan Regulations; Definitions**

Section 1.01. All the provisions of ADB's Ordinary Operations (Concessional) Loan Regulations, dated 1 January 2022 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

(a) Section 2.01(v) is deleted and the following is substituted therefor:

"Program" means the program for which ADB has agreed to make the Loan, as described in the Loan Agreement and as such description may be amended from time to time by agreement between ADB and the Borrower;

(b) The term "Project" wherever it appears in the Loan Regulations shall be substituted by the term "Program".

(c) Section 2.01(w) is deleted and the following is substituted therefor:

"Program Agreement" means the Program Agreement of even date herewith between ADB and Khyber Pakhtunkhwa Province, as such agreement may be amended from time to

time; and such Program Agreement includes all schedules to the program agreement;

- (d) The term "Project Agreement" wherever it appears in the Loan Regulations shall be substituted by the term "Program Agreement".
- (e) Section 2.01(x) is deleted and the following is substituted therefor:  
  
"Program Executing Agency" means the entity responsible for the carrying out of the Program as specified in the Loan Agreement;
- (f) The term "Project Executing Agency" wherever it appears in the Loan Regulations shall be substituted by the term "Program Executing Agency", except where it appears in Sections 6.01(a), 8.01(d), 8.01(f), 8.01(k), 9.01(c) and 9.02(c) of the Loan Regulations in which case it shall be substituted by the term "Khyber Pakhtunkhwa Province acting through its Health Department".

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

- (a) "Anticorruption Guidelines" means ADB's Guidelines to Prevent or Mitigate Fraud, Corruption and Other Prohibited Activities in Results-Based Lending for Programs as set forth in Appendix 1 to the PID;
- (b) "Deposit Account" means the account referred to in paragraph 2 of Schedule 3 to this Loan Agreement;
- (c) "DLI" means each disbursement-linked indicator as set forth in the DLI Matrix;
- (d) "DLI Matrix" means the DLI matrix for the Program as set forth in Attachment 2 of Schedule 3 to this Loan Agreement, as updated from time to time by the Borrower and ADB;
- (e) "DLI Verification Protocol" means the protocol for verifying the Borrower's achievement of each DLI, as set forth in the PID;
- (f) "DOH" means Khyber Pakhtunkhwa's Health Department or any successor thereto acceptable to ADB;
- (g) "Eligible Expenditures" means the eligible expenditures referred to in paragraph 2 of Schedule 4 to this Loan Agreement;
- (h) "Environmental Safeguards" means the objectives and policy principles set forth in Chapter V of the SPS;

- (i) "High-Value Contracts" means (i) procurement of works, turnkey and supply and installation contracts that cost \$50 million equivalent or more per contract; (ii) procurement of goods contracts that cost \$30 million equivalent or more per contract; (iii) information technology or nonconsulting services contracts that cost \$20 million equivalent or more per contract; and (iv) consulting services contracts that cost \$15 million equivalent or more per contract;
- (j) "Indigenous Peoples Safeguards" means the objectives and policy principles set forth in Chapter V of the SPS;
- (k) "Involuntary Resettlement Safeguards" means the objectives and policy principles set forth in Chapter V of the SPS;
- (l) "Khyber Pakhtunkhwa" means the government of the Province of Khyber Pakhtunkhwa of the Borrower;
- (m) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (n) "PAP" means the action plan for the Program dated 2 August 2022, as updated from time to time by DOH and ADB;
- (o) "PID" means the program implementation document for the Program dated 2 August 2022, as updated from time to time by DOH and ADB;
- (p) "Program Actions" means the actions set out in the PAP;
- (q) "Program Completion Date" means the date set out in paragraph 3 of Schedule 1 to this Loan Agreement, or such other date as the Borrower and ADB may agree;
- (r) "Program Executing Agency" means for the purposes of, and within the meaning of, the Loan Regulations Khyber Pakhtunkhwa acting through its DOH, or any successor thereto acceptable to ADB, which is responsible for carrying out the Program;
- (s) "PSSA" means the program safeguard system assessment for the Program, including any update thereto, prepared and submitted by DOH and cleared by ADB;
- (t) "RSHC Program" means the Borrower's Revamping of Non-Teaching District Head Quarter Hospitals Program, which is supported by the Program;
- (u) "SHC" means secondary health care;
- (v) "SPS" means ADB's Safeguard Policy Statement (2009); and

- (w) "Table" means the table on the allocation and withdrawal of Loan proceeds set forth in Attachment 1 of Schedule 3 to this Loan Agreement.

## ARTICLE II

### The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of one hundred million Dollars (\$100,000,000).

(b) The Loan has a principal repayment period of 20 years, and a grace period as defined in subsection (c) hereinafter.

(c) The term "grace period" as used in subsection (b) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.02. The Borrower shall pay to ADB an interest charge at the rate of 2% per annum during the grace period and thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 January and 15 July in each year.

Section 2.04. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

## ARTICLE III

### Use of Proceeds of the Loan

Section 3.01. The Borrower shall make the proceeds of the Loan available to the Program Executing Agency upon terms and conditions acceptable to ADB and shall ensure, and cause the Program Executing Agency to ensure, that the proceeds of the Loan are applied to the financing of expenditures on the Program in accordance with the provisions of this Loan Agreement and the Program Agreement.

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 June 2026 or such other date as may from time to time be agreed between the Borrower and ADB.

## **ARTICLE IV**

### **Particular Covenants**

Section 4.01. In the carrying out of the Program, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Loan Agreement.

Section 4.02. ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.

Section 4.03. As part of the reports and information referred to in Sections 6.01 and 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB (a) quarterly reports on the implementation of the Program, including the accomplishment of the DLIs, the carrying out of the Program Actions and the Eligible Expenditures; and (b) as ADB shall reasonably request, additional information in connection with the reports described in subsection (a) hereinabove and other information on Program implementation.

Section 4.04. The Borrower shall enable ADB's representatives to inspect the Program and any relevant records and documents.

Section 4.05. The Borrower shall take all actions which shall be necessary on its part to enable the Program Executing Agency to perform its obligations under the Program Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

## **ARTICLE V**

### **Effectiveness**

Section 5.01. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

**ARTICLE VI****Miscellaneous**

Section 6.01. The Secretary of the Ministry of Economic Affairs of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

For the Borrower

Ministry of Economic Affairs  
Government of Pakistan  
Islamabad, Pakistan

Facsimile Number:

(0092 51) 910 4016

For ADB

Asian Development Bank  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

Facsimile Numbers:

(632) 8636-2444

(632) 8636-2428.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

ISLAMIC REPUBLIC OF PAKISTAN

By   
KAZIM NIAZ  
Secretary Economic Affairs Division  
Ministry of Economic Affairs

ASIAN DEVELOPMENT BANK

By   
YONG YE  
Country Director  
Pakistan Resident Mission



## SCHEDULE 1

### Description of the Program

1. The objective of the Program is to support the RSHC Program from 2022 to 2026 to enhance the quality of secondary hospital services in the province of Khyber Pakhtunkhwa.
2. The Program shall comprise:
  - (a) making available and implementing clinical protocols, standards and guidelines at SHC hospitals by: (i) rolling out the government's program of standardized clinical protocols; (ii) development and implementation of gender-sensitive clinical pathways; and (iii) establishment and operationalization of hospital-based quality committees to discuss, analyze and propose recommendations on health operational topics such as hospital hygiene and performed medical procedures;
  - (b) modernization of hospital infrastructure and medical equipment by: (i) undertaking rehabilitation works at all SHC hospitals; (ii) increasing the amount of essential equipment tagged, registered, available and functioning at all SHC hospitals; and (iii) exploring energy efficient and clean energy renovations and equipment;
  - (c) reinforcing human resources and health service planning by digitalization and operationalization of a human resources information system;
  - (d) upgrading medicine supply chain management by refurbishing hospital pharmacies and equipping them with information and communication technology and software; and
  - (e) improving effectiveness of service delivery by reforming hospital service management and increasing private sector engagement.
3. The Program is expected to be completed by 30 June 2026.

## SCHEDULE 2

## Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in USD)
15 January 2028	2,500,000
15 July 2028	2,500,000
15 January 2029	2,500,000
15 July 2029	2,500,000
15 January 2030	2,500,000
15 July 2030	2,500,000
15 January 2031	2,500,000
15 July 2031	2,500,000
15 January 2032	2,500,000
15 July 2032	2,500,000
15 January 2033	2,500,000
15 July 2033	2,500,000
15 January 2034	2,500,000
15 July 2034	2,500,000
15 January 2035	2,500,000
15 July 2035	2,500,000
15 January 2036	2,500,000
15 July 2036	2,500,000
15 January 2037	2,500,000
15 July 2037	2,500,000
15 January 2038	2,500,000
15 July 2038	2,500,000
15 January 2039	2,500,000
15 July 2039	2,500,000
15 January 2040	2,500,000
15 July 2040	2,500,000
15 January 2041	2,500,000
15 July 2041	2,500,000
15 January 2042	2,500,000
15 July 2042	2,500,000
15 January 2043	2,500,000
15 July 2043	2,500,000
15 January 2044	2,500,000
15 July 2044	2,500,000
15 January 2045	2,500,000
15 July 2045	2,500,000
15 January 2046	2,500,000
15 July 2046	2,500,000
15 January 2047	2,500,000
15 July 2047	2,500,000
<b>Total</b>	<b>100,000,000</b>

**SCHEDULE 3****Allocation and Withdrawal of Loan Proceeds**General

1. Except as set out in this Schedule or as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

Deposit Account

2. Prior to submitting the first application to ADB for withdrawal from the Loan Account, the Borrower shall nominate an account at the State Bank of Pakistan as the Deposit Account for the Program into which all withdrawals from the Loan Account shall be deposited.

3. The Borrower shall maintain separate records in respect of the Deposit Account in accordance with accounting principles acceptable to ADB.

Basis for Withdrawal from the Loan Account

4. (a) The Table sets out the Loan amounts allocated for withdrawal in respect of a DLI upon the Borrower's achievement of the corresponding DLI targets as set out in the DLI Matrix. Other than the years specified for DLI 10-5c3, the years set out in the Table are indicative. Other than withdrawals on account of DLI 10-5c3 which are restricted to the indicated years, they do not restrict withdrawal on account of any DLI targets achieved whether ahead of, or later than, the indicated year, provided that such DLI targets are achieved on or before the Program Completion Date.

(b) ADB may, in consultation with the Borrower, reallocate the Loan amounts set out in the Table within the same DLI or from one DLI to any other DLI.

5. Prior to submitting any application for withdrawal from the Loan Account in respect of a DLI, the Borrower shall submit to ADB in accordance with the DLI Verification Protocol satisfactory evidence showing that: (a) such DLI has been fully achieved; or (b) for a DLI for which partial disbursement is allowed (as specified in the DLI Matrix), such DLI has been achieved to the extent required for partial disbursement under the DLI Verification Protocol. Upon ADB's confirmation that the DLI has been achieved in full or in part, the Borrower may submit to ADB an application for withdrawal of the corresponding Loan amount for such DLI.

Advance Financing

6. Prior to the achievement of the DLI 4, DLI 5 and DLI 8, the Borrower may withdraw from the Loan Account an advance financing amount for the purposes of meeting the Program's financing requirements and supporting the achievement of such DLIs, provided that the outstanding advance financing amount shall not, at any time, exceed 25% of the Loan amount. ADB shall deduct the outstanding advance financing amount, or any portion thereof, from the Loan proceeds to be disbursed upon achievement of such DLIs.

Reconciliation

7. If any DLI has not been achieved by the Program Completion Date, the Borrower shall, within 6 months of the Program Completion Date, provide a refund to ADB for any outstanding advance financing amount or part thereof for such DLI.
8. If the total Eligible Expenditures amount to less than the Loan amount withdrawn by the Borrower, the Borrower shall provide a refund to ADB for an amount equal to the extent of the shortfall within 6 months of the Program Completion Date.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS					
(\$ million)					
Disbursement-Linked Indicators (DLI)	Total ADB Financing Allocation	FY2023	FY2024	FY2025	FY2026
DLI1					
a1	5	1.25	1.25	1.25	1.25
a2	5	1.25	1.25	1.25	1.25
DLI2					
b	5	1.25	1.25	1.25	1.25
DLI3					
1e	15	3.75	3.75	3.75	3.75
DLI4					
2a	15	3.75	3.75	3.75	3.75
DLI5					
2b	10	2.50	2.50	2.50	2.50
DLI6					
3c1	5	1.25	1.25	1.25	1.25
3c2	5	1.25	1.25	1.25	1.25
3c3	5	1.25	1.25	1.25	1.25
DLI7					
3d1	3	0.75	0.75	0.75	0.75
3d2	4	1.00	1.00	1.00	1.00
3d3	3	0.75	0.75	0.75	0.75
DLI8					
4b	10	2.50	2.50	2.50	2.50
DLI9					
5a1	3	0.75	0.75	0.75	0.75
5a2	2	0.50	0.50	0.50	0.50
DLI10					
5c1	2	0.50	0.50	0.50	0.50
5c2	1	0.25	0.25	0.25	0.25
5c3	2	0.50	0.50	0.50	0.50
Total	100	25.00	25.00	25.00	25.00

## DLI MATRIX

Disbursement-Linked Indicators (DLI)	Baseline Value	Baseline Year & Prior results	FY2023	FY2024	FY2025	FY2026
<b>Outcome: Quality of Care of Secondary Hospital Services in Khyber Pakhtunkhwa enhanced</b>						
<b>DLI 1: SHC hospital services improved <sup>a</sup></b>						
<i>a1. Outpatient contacts increased</i> By end of 2027, the number of patient contacts in OPDs of SHC facilities b reaches at least 16,074,000 per annum.	12,060,000 p.a.	2019 No prior result	The number of patient contacts in OPDs of SHC facilities increases to at least			
			12,422,000 p.a.	13,167,000 p.a.	14,352,000 p.a.	16,074,000 p.a.
<i>a2. Inpatient admissions augmented</i> By end of 2027, the number of patient admissions for inpatient care (including daycare) to SHC facilities reaches at least 662,000 per annum.	496,000 admissions p.a.	2019 No prior result	The number of patient admissions to SHC facilities increases to at least			
			511,000 p.a.	542,000 p.a.	591,000 p.a.	662,000 p.a.
<b>DLI 2: Maternal care ameliorated</b>						
<i>b. Number of hospitals deliveries expanded</i> By end of 2027, the number of deliveries managed at SHC facilities reaches at least 166,000 per annum.	124,000 hospital deliveries	2019 No prior result	The number of annual deliveries managed at SHC facilities increases to			
			128,000	136,000	148,000	166,000
<b>Output 1: Clinical protocols, standards, and guidelines are available and implemented at SHC hospitals</b>						
<b>DLI 3: Gender-sensitive quality assurance mechanisms established</b>						
<i>1e. Gender-sensitive performance and quality reporting established</i> By the end of 2026, at least 30 SHC hospitals submitted gender-sensitive performance and quality reports. A report template is provided in the program implementation document. <sup>b</sup>	No report available in 2021	2021  No prior result	Before the end of Q1 2023, at least 5 SHC hospitals issue 2022 annual performance and quality report	Before the end of Q1 2024, at least 10 SHC hospitals issue 2023 annual performance and quality report	Before the end of Q1 2025, at least 15 SHC hospitals issue 2024 annual performance and quality report	Before the end of Q1 2026, at least 30 SHC hospitals issue 2025 annual performance and quality report
<b>Output 2: Hospital infrastructure and medical equipment modernized</b>						
<b>DLI 4: Infrastructure upgraded</b>						
<i>2a. Infrastructure of SHC program hospitals upgraded to quality</i>	N.A.	2021 Rehabilitation works	By the end of 2022, the average score	By the end of 2023, the average score	By the end of 2024, the average score	By the end of 2025, the average score

Disbursement-Linked Indicators (DLI)	Baseline Value	Baseline Year & Prior results	FY2023	FY2024	FY2025	FY2026
benchmark level and in compliance with SPS requirements. By the end of 2026, all SHC hospital infrastructures upgraded with average score of $\geq 9$ The infrastructure rating is calculated according to the infrastructure weighted criteria rating (see below). Achievements to be verified by qualified engineers.		have started in 6 hospitals	achieved by all hospitals undergoing rehabilitation works is $\geq 3$	achieved by all hospitals undergoing rehabilitation works is $\geq 5$	achieved by all hospitals undergoing rehabilitation works is $\geq 7$	achieved by all hospitals undergoing rehabilitation works is $\geq 9$
<b>DLI 5: Medical equipment modernized</b>						
2b. Essential equipment of the A&E, OR, sterilization area, and obstetrical departments is functioning, tagged, and centrally registered By the end of 2026, 85% of essential equipment of A&E, OR, sterilization, and the obstetrical departments are tagged, registered, and functioning.  The list of essential equipment can be found in the program implementation document. <sup>b</sup>	According to IMU evaluation, only 40% of the existing essential equipment is available and operational	2021  Procurement of new equipment has already started	By the end of 2022, at least 45% of the essential equipment is available and functioning at all SHC hospitals	By the end of 2023, at least 55% of the essential equipment is available and functioning at all SHC hospitals	By the end of 2024, at least 70% of the essential equipment is available and functioning at all SHC hospitals	By the end of 2025, at least 85% of the essential equipment is available and functioning at all SHC hospitals
<b>Output 3: Human resources and health service planning reinforced</b>						
<b>DLI 6: Qualified, gender-balanced human resources available</b>						
3c1. Sanctioned doctor posts for SHC facilities are filled By the end of 2026, at least 90% of sanctioned doctor posts for SHC facilities are filled. <sup>c</sup>	77% of doctor sanctioned posts filled	2020 The hiring of doctors continues No prior results	By the end of 2022, at least 78% of doctor sanctioned posts for SHC facilities are filled	By the end of 2023, at least 80% of doctor sanctioned posts for SHC facilities are filled	By the end of 2024, at least 85% of doctor sanctioned posts for SHC facilities are filled	By the end of 2025, at least 90% of doctor sanctioned posts for SHC facilities are filled
3c2. Percentage of female doctors working at SHC facilities is increased By the end of 2026, female doctors working at SHC facilities represent at	33.3% share of female doctors	2015 The hiring of female doctors continues	By the end of 2022, female doctors working at SHC facilities represent $\geq 35\%$	By the end of 2023, female doctors working at SHC facilities represent	By the end of 2024, female doctors working at SHC facilities represent $\geq 39\%$	By the end of 2025, female doctors working at SHC facilities represent $\geq 40\%$



Disbursement-Linked Indicators (DLI)	Baseline Value	Baseline Year & Prior results	FY2023	FY2024	FY2025	FY2026
least 40% of total doctors, and $\geq 20\%$ for NMDs. <sup>c</sup>			of doctors, and $\geq 15\%$ for NMDs	$\geq 36.5\%$ of doctors, and $\geq 16\%$ for NMDs	of doctors, and $\geq 18\%$ for NMDs	of doctors, and $\geq 20\%$ for NMDs
3c3. <i>Absenteeism of doctors is reduced</i> By the end of 2026, absenteeism of doctors is reduced to less than 5%, and less than 10% for NMDs. <sup>d</sup>	40% absenteeism of doctors / total number of posts filled in all SHC facilities	2021 Absenteeism has been reduced to 22% in 2020 and further to 13% in 2021 for all DHQ hospitals	By the end of 2022, absenteeism of doctors is reduced to $\leq 12\%$ of the total working hours of filled posts, and $\leq 24\%$ for NMDs	By the end of 2023, absenteeism of doctors is reduced to $\leq 10\%$ of the total working hours of filled posts, and $\leq 20\%$ for NMDs	By the end of 2024, absenteeism of doctors is reduced to $\leq 7.5\%$ of the total working hours of filled posts, and $\leq 15\%$ for NMDs	By the end of 2025, absenteeism of doctors is reduced to $\leq 5\%$ of the total working hours of filled posts, and $\leq 10\%$ for NMDs
<b>DLI 7: Gender issues are adequately considered</b>						
3d1. <i>Training on gender-based violence for all staff categories</i> By the end of 2026, at least 60% of staff working at SHC facilities, of which 30% are women, reporting improved knowledge on GBV		2021 The training initiative has been launched in 4 DHQ hospitals	By the end of 2022, $\geq 10\%$ of all staff working at SHC facilities has received training on GBV	By the end of 2023, $\geq 25\%$ of all staff working at SHC facilities has received training on GBV	By the end of 2024, $\geq 45\%$ of all staff working at SHC facilities has received training on GBV	By the end of 2025, $\geq 60\%$ of all staff working at SHC facilities has received training on GBV
3d2. <i>Counseling desks established in all OPDs on reproductive health and mental health</i> By the end of 2026, at least 30 SHC facilities established in the OPDs counseling desk on reproductive and mental health Desks for reproductive health and mental health are to be counted separately.	Desks or consultation rooms for psychosocial care available in 7 of the program hospitals	2021 Development program to be transformed from PC-1 to routine funding and implementation	By the end of 2022, $\geq 5$ SHC facilities have both (i) a desk for counseling on reproductive health and (ii) a desk on mental health	By the end of 2023, $\geq 10$ SHC facilities have both (i) a desk for counseling on reproductive health and (ii) a desk on mental health	By the end of 2024, $\geq 20$ SHC facilities have both (i) a desk for counseling on reproductive health and (ii) a desk on mental health	By the end of 2025, $\geq 30$ SHC facilities have both (i) a desk for counseling on reproductive health and (ii) a desk on mental health
3d3. <i>Inquiry Committees established and operational</i>	No formal (permanent)	2021	By the end of 2022 $\geq 3$ SHC	By the end of 2023 $\geq 9$ SHC	By the end of 2024 $\geq 18$ SHC	By the end of 2025 $\geq 28$ SHC



Disbursement-Linked Indicators (DLI)	Baseline Value	Baseline Year & Prior results	FY2023	FY2024	FY2025	FY2026
By the end of 2026, inquiry committees in at least 28 SHC facilities established and operational. Code of conduct is displayed in offices and staff training is conducted.*  The committee is considered operational when there are at least two documented meetings per annum.	functional inquiry committee in any of the SHC facilities	Inquiries have been conducted in several hospitals by ad-hoc committees, often initiated by ombudspersons identified at many hospitals	facilities have formally established and functional inquiry committees	facilities have formally established and functional inquiry committees	facilities have formally established and functional inquiry committees	facilities have formally established and functional inquiry committees
<b>Output 4: Medicine supply chain management upgraded</b>						
<b>DLI 8: Essential medicines are available</b>						
<i>4b. Availability of essential medicines, vaccines, and supplies with 1-month stock buffer at SHC hospitals.</i> By the end of 2026, the availability of essential medicines, vaccines, and supplies with a 1-month stock buffer at SHC hospitals reaches 97.5%  List of essential drugs and consumables defined by DOH.	80% availability of essential drugs	2021  Ongoing procurement of essential drugs and consumables	By the end of 2022, 85% of essential drugs and consumables are available at SHC facilities	By the end of 2023, 90% of essential drugs and consumables are available at SHC facilities	By the end of 2024, 95% of essential drugs and consumables are available at SHC facilities	By the end of 2025, 97.5% of essential drugs and consumables are available at SHC facilities
<b>Output 5: Service delivery efficacy improved</b>						
<b>DLI 9: Active contracting of clinical and non-clinical service providers is in place</b>						
<i>5a1. Contracting of clinical services in selected SHCs</i> By the end of 2026, at least 30 SHC facilities have concluded service contracts for clinical services (e. g., imaging, laboratory)	No service contracts signed	2021 Elaboration of draft contracts and identification of interested	By the end of 2022, ≥3 contracts will be signed for the provision of clinical services	By the end of 2023, ≥9 contracts will be signed for the provision of clinical services	By the end of 2024, ≥18 contracts will be signed for the provision of clinical services	By the end of 2025, ≥30 contracts will be signed for the provision of clinical services

Disbursement-Linked Indicators (DLI)	Baseline Value	Baseline Year & Prior results	FY2023	FY2024	FY2025	FY2026
		service providers has already started	to any of the SHC hospitals	to any of the SHC hospitals	to any of the SHC hospitals	to any of the SHC hospitals
5a2. Contracting of non-clinical services in selected SHCs By the end of 2026, at least 30 SHC facilities have concluded service contracts have been concluded for non-clinical services (e. g. cleaning, catering, security, maintenance)	No service contracts signed	2019 Service contracts (security) signed for 7 of the program hospitals	By the end of 2022, ≥10 hospitals will be included in contracts for the provision of non-clinical services	By the end of 2023, ≥15 hospitals will be included in contracts for the provision of non-clinical services	By the end of 2024, ≥20 hospitals will be included in contracts for the provision of non-clinical services	By the end of 2025, ≥30 hospitals will be included in contracts for the provision of non-clinical services
<b>DLI 10: Fiduciary and financial management improved</b>						
5c1. Establishment of PMIU The PMIU is operational, i. e. has at least: 1 Program (PMIU) Director 1 Procurement Director 1 Financial Management Director 1 Director for Environmental Aspects 1 Director for Gender Aspects	PMIU not yet operational	2020 PMIU became operational by nominating senior management staff through "additional charges" mechanism	By the end of 2022 on a total of total number of 36 staff <12 positions are vacant	By the end of 2023 on a total of total number of 36 staff <9 positions are vacant	By the end of 2024 on a total of total number of 36 staff <6 positions are vacant	By the end of 2025 on a total of total number of 36 staff <4 positions are vacant
5c2. Project Procurement Plans are updated and published on KPPRA website	1 Procurement Plan for 6 hospitals already published	2021 Procurement plans prepared for phases I, II, and III hospitals	By the end of 2022, ≥13 procurement plans have been published on the KPPRA website	By the end of 2023, ≥25 procurement plans have been published on the KPPRA website	By the end of 2024, ≥33 procurement plans have been published on the KPPRA website	-
5c3. All (33) financial and audit reports submitted to DOH	No annual financial and	2021	Before the end of Q4 2022, ≥6	Before the end of Q4 2023, ≥13	Before the end of Q4 2024, ≥25	Before the end of Q4 2025, all

Disbursement-Linked Indicators (DLI)	Baseline Value	Baseline Year & Prior results	FY2023	FY2024	FY2025	FY2026
	audit reports submitted	No prior result	financial and audit reports have been submitted to DOH / ADB	financial and audit reports have been submitted to DOH / ADB	financial and audit reports have been submitted to DOH / ADB	(33) financial and audit reports have been submitted to DOH / ADB

ADB = Asian Development Bank, A&E = Accident and Emergency, COVID-19 = Corona Virus Disease 2019, DHQ = district headquarter, DLI = disbursement-linked indicator, DOH = Department of Health of the Government of Khyber Pakhtunkhwa, DP = development program, GBV = gender-based violence, HRH = human resources for health, HRMIS = human resources management information system, IMU = Independent Monitoring Unit, KP = Khyber Pakhtunkhwa Province, KPPRA = Khyber Pakhtunkhwa Public Procurement Regulatory Authority, MOF = Ministry of Finance, NMD = Newly Merged Districts, OPD = outpatient department, OR = operating room, p.a. = per annum, PMIU = Project Management and Implementation Unit, Q1 = quarter 1, Q4 = quarter 4, SHC = secondary health care, SPS = Safeguard Policy Statement.

<sup>a</sup> List of program health facilities can be found below.

<sup>b</sup> The program implementation document can be accessed through Appendix 2.

<sup>c</sup> Definition of filled sanctioned posts include staff absent for education and training purposes. There are different targets for NMDs due to access and security issues.

<sup>d</sup> Absenteeism is defined as non-justified or non-permitted absence (justified or permitted absence would be leave for various reasons).

<sup>e</sup> This is a legal requirement. According to the *Protection Against Harassment of Women at the Workplace Act (2010)*, any organization shall have a committee established within 30 days of its enactment to enquire into related complaints. The Committee shall consist of three members, of whom at least one shall be a woman.

Sources: Asian Development Bank; and Department of Health of Khyber Pakhtunkhwa Province.

## SCHEDULE 4

### Execution of Program

#### Implementation Arrangements

1. The Borrower shall ensure, or cause the Program Executing Agency to ensure, that the Program is implemented in accordance with the detailed arrangements set forth in the PID. Any subsequent change to the PID shall become effective only after approval of such change by the Program Executing Agency and ADB. In the event of any discrepancy between the PID and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

2. The Borrower shall ensure, or cause the Program Executing Agency to ensure, that the aggregate amount of Eligible Expenditures under the Program is equal to or exceeds the Loan proceeds withdrawn by the Borrower for the Program. Such Eligible Expenditures are part of the expenditures incurred under the RSHC Program, but they exclude any expenditures for (a) procurement of works, goods and services from countries which are not members of ADB; (b) procurement of works, goods and services from persons or entities debarred or suspended by ADB; (c) procurement involving High-Value Contracts; (d) any activities which are classified as category A for environmental impact under the SPS; (e) any activities assessed as likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on environment and/or affected people; and (f) any activities which are prohibited investment activities provided in Appendix 5 of the SPS.

#### DLI Compliance and Program Dialogue

3. The Borrower shall ensure, or cause the Program Executing Agency to ensure, that all DLIs achieved under the Program continue to be complied with for the duration of the RHSC Program.

4. The Borrower shall keep, and cause the Program Executing Agency to keep, ADB informed of discussions with other multilateral or bilateral aid agencies that may have implications for the implementation of the RHSC Program and the Program and shall provide ADB with an opportunity to comment on any resulting proposals. The Borrower shall give, and cause the Program Executing Agency to give, due consideration to ADB's views before finalizing and implementing any such proposal.

#### Counterpart Support

5. The Borrower shall ensure that adequate budgetary allocation for each financial year of the Borrower (each such financial year commencing on 1 July in a calendar year and ending on 30 June in the immediately following calendar year) is provided and made available to the Program Executing Agency for the purposes of the timely and effective implementation of the Program.

#### Operational, Monitoring and Evaluation, Financial Management, Fiduciary and Human Resources Management Requirements

6. The Borrower shall ensure, or cause the Program Executing Agency to ensure, that all Program Actions in the areas of operational, monitoring and evaluation, financial

management, fiduciary, and human resources management requirements are implemented in a timely and efficient manner.

#### Procurement

7. The Borrower shall ensure, or cause the Program Executing Agency to ensure, that each contract under the Program is awarded on the basis of the Program's procurement system, having due regard for principles of competition, economy and efficiency, transparency, and fairness and equal opportunity.

8. The Borrower shall ensure, or cause the Program Executing Agency to ensure, that all Program Actions in the area of procurement are implemented in a timely and efficient manner.

#### Environmental and Social Safeguards

9. The Borrower shall ensure, or cause the Program Executing Agency to ensure, that all Program Actions in the area of environmental and social safeguards are implemented in a timely and efficient manner.

10. (a) The Borrower shall ensure, or cause the Program Executing Agency to ensure, that no construction or rehabilitation works under the Program involve significant adverse environmental impacts that may be classified as category A under the SPS. Prior to commencing any construction or rehabilitation works under the Program, the Borrower shall conduct, or cause the Program Executing Agency to conduct, a screening to ensure that any works that may be classified as category A for environment impacts within the meaning of SPS are excluded from the Program.

(b) The Borrower shall ensure, or cause the Program Executing Agency to ensure, that the preparation, design, construction, implementation, operation and decommissioning of all activities under the Program comply with: (i) all applicable laws, regulations and guidelines of the Borrower relating to environment, health and safety; (ii) the Environmental Safeguards; and (iii) all measures and requirements, including monitoring requirements set forth in the PAP.

11. The Borrower shall ensure, or cause the Program Executing Agency to ensure, that the preparation, design, construction, implementation, operation and decommissioning of all activities under the Program comply with: (a) all applicable laws and regulations of the Borrower relating to resettlement; (b) Involuntary Resettlement Safeguards; and (c) all measures and requirements, including monitoring requirements set forth in the PAP.

12. The Borrower shall ensure, or cause the Program Executing Agency to ensure, that the Program does not involve any indigenous people risks or impacts within the meaning of the SPS. If due to unforeseen circumstances, the Program involves any such impacts, the Borrower shall ensure that the Program complies with (a) all applicable laws and regulations of the Borrower relating to indigenous peoples; (b) Indigenous Peoples Safeguards; and (c) all measures and requirements, including monitoring requirements set forth in the PAP.

Gender and Social Equality

13. The Borrower shall ensure, or cause the Program Executing Agency to ensure, that all Program Actions in the area of gender and social equality are implemented in a timely and efficient manner.

Governance and Anticorruption

14. The Borrower shall ensure, or cause the Program Executing Agency to ensure, that the Program complies with the Anticorruption Guidelines and that all appropriate and timely measures are taken to prevent, detect and respond to allegations of fraud, corruption or any other prohibited activities relating to the Program in accordance with the Anticorruption Guidelines.

15. The Borrower shall, or cause the Program Executing Agency to (a) promptly inform ADB of any allegations of fraud, corruption or any other prohibited activities relating to the Program; and (b) cooperate fully with any investigation by ADB on such allegations and extend all necessary assistance, including providing access to all relevant records, for satisfactory completion of such investigation.

16. Within 90 days of the Effective Date, the Borrower shall, or cause the Program Executing Agency to, update its public website to (a) provide information on bidding procedures, bidders, contract awards and physical progress of the Program; (b) post the audited annual financial statements for the Program, as such financial statements become available; and (c) disseminate other relevant information on Program implementation.