

Public Disclosure Authorized

# OFFICIAL DOCUMENTS

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GRANT NUMBER D2850-AF

## Financing Agreement

(Afghanistan Sehatmandi Project)

between

ISLAMIC REPUBLIC OF AFGHANISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

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**GRANT NUMBER D2850-AF**

**FINANCING AGREEMENT**

AGREEMENT dated as of the Signature Date between ISLAMIC REPUBLIC OF AFGHANISTAN (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form 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 General Conditions or in the Appendix to this Agreement.

**ARTICLE II — FINANCING**

- 2.01. The Association agrees to extend to the Recipient a grant, deemed by the Association to be on concessional terms, as set forth or referred to in this Agreement, in an amount equivalent to ninety- six million one hundred thousand Special Drawing Rights (SDR 96,100,000) (“Financing”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section III of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.04. The Payment Dates are March 15 and September 15 in each year.
- 2.05. The Payment Currency is Dollar.

**ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project through its MOPH in accordance with the

provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

#### **ARTICLE IV — TERMINATION**

- 4.01. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 4.02. For purposes of Section 10.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the Signature Date.

#### **ARTICLE V — REPRESENTATIVE; ADDRESSES**

- 5.01. The Recipient's Representative is its Minister of Finance.
- 5.02. For purposes of Section 11.01 of the General Conditions: (a) the Recipient's address is:

Ministry of Finance  
Pashtunistan Watt  
Kabul, Islamic Republic of Afghanistan; and

(b) the Recipient's Electronic Address is:

Facsimile:

+93202103259

- 5.03. For purposes of Section 11.01 of the General Conditions: (a) The Association's address is:

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

(b) the Association's Electronic Address is:

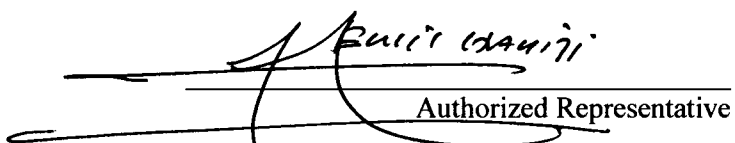
Facsimile:

1-202-477-6391

AGREED as of the Signature Date.

ISLAMIC REPUBLIC OF AFGHANISTAN

By

  
Authorized Representative

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

  
Authorized Representative

Name: Shubham Chaudhuri

Title: Country Director

Date: 10 - April - 2018

## SCHEDULE 1

### Project Description

The objective of the Project is to increase the utilization and quality of health, nutrition, and family planning services.

The Project consists of the following parts:

#### Part 1: Improving Service Delivery

- (a) supporting delivery of BPHS and EPHS through Service Providers under Performance-based Service Contracts.
- (b) carrying out a program of activities designed to improve access to, and quality of, BPHS and EPHS, including: (i) expanding primary health care centers; and (ii) supporting provincial hospitals in selected provinces.
- (c) increasing managerial autonomy for Service Providers.
- (d) increasing focus on results by revising BPHS and EPHS service contracts.

#### Part 2: Strengthening the Health System and its Performance

- (a) implementing the recommendations of the functional review of the MOPH.
- (b) providing technical assistance to assess the performance of the Project through, *inter alia*: (i) conducting annual health facility surveys, a nation-wide household survey, and time bound verification of HMIS indicators; (ii) assessing the effectiveness of the innovations introduced under the Project; and (iii) supporting verification of drug quality.
- (c) strengthening capacity of the MOPH in performance management, data analysis and management, and its stewardship functions through, *inter alia*: (i) provision of operational assistance to the MOPH for day-to-day management, coordination, administration, monitoring, and evaluation of the Project; and (ii) provision of technical assistance and contractual staff.

#### Part 3: Strengthening Demand and Community Accountability for Key Health Services

- (a) Supporting implementation of MOPH's social and behavioral change communications plan and anti-corruption strategy.
- (b) Expanding the coverage of maternal health, family planning, and nutrition services through, *inter alia*: (i) inclusion of said services in the semi-annual assessment of

NGO performance; (ii) strengthened accountability mechanisms and demand for services through CDCs; (iii) strengthened monitoring of nutrition and family planning results; and (iv) social and behavioral change communications.

- (c) Strengthening accountability through: (i) building the capacity of communities to systematically collect core data; (ii) developing mechanisms for Service Providers to receive and respond to community concerns; and (iii) integrating the community scorecard in the regular HIS of MOPH.
- (d) Strengthening MOPH's grievance redress mechanism through: (i) advertisement; (ii) revision of standard operating procedures for such mechanism; and (iii) semi-annual reviews.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements.

1. The Recipient shall vest responsibility of the overall implementation of the Project in MOPH. To this end the Recipient, through MOPH, shall:
  - (a) maintain throughout the implementation of the Project the High-Level Health Program Oversight Committee, with membership drawn from MOPH, MOF, IDLG, UN, donors and representative of civil society, and with mandate, composition, and terms of reference acceptable to the Association, to be responsible for overall guidance and monitoring of the Project, including, *inter alia*, conducting annual review of the Project.
  - (b) maintain, throughout the implementation of the Project, the Sehatmandi Coordination Office, with mandate, composition, and terms of reference acceptable to the Association, to be responsible for, *inter alia*, the responsibility of said office to coordinate and monitor the implementation of the Project in accordance with the provisions of this Agreement.
  - (c) maintain, throughout the implementation of the Project, the procurement directorate of MOPH with qualified and experienced staff to be responsible for procurement and contract management services of the Project.
  - (d) by not later than October 31, 2018 engage, and thereafter, maintain, throughout the implementation of the Project, the services of an independent third-party evaluator with qualification and experience satisfactory to the Association and operating under terms of reference acceptable to the Association, to evaluate the performance of the Service Providers and related delivery of BPHS and EPHS under the Project.
  - (e) ensure that the Project is carried out in accordance with the National Technical Assistance Salary Scale and Implementation Guideline and that all recruitment of techno-managerial contractual staff of grades A to C is carried out under terms of reference satisfactory to the Association.
  - (f) ensure that no civil works shall be carried out under the Project, except minor renovations.

**B. Project Documents**

The Project Implementing Entity shall carry out the Project in accordance with the Safeguard Instruments and the Financial Management Manual; and shall not amend, delete or waive any provision of the aforementioned instruments without prior written agreement between the Recipient and the Association. In the event of any conflict between the provisions of any of the Safeguard Instruments or the Financial Management on the one hand and the provisions of this Agreement or the Grant Agreement on the other hand, the provisions of this Agreement or the Grant Agreement, as applicable, shall prevail.

**C. Service and Management Contracts.**

**1. Performance-based Service Contracts**

- (a) to facilitate proper implementation of Part 1(a) of the Project, the Recipient shall engage, in accordance with the Procurement Regulations and provisions of this Agreement, Service Providers under performance-based contracts, under terms and conditions set forth in the Financial Management Manual and approved in writing by the Association, and which shall include those set forth in paragraph 1 (b) of this Section C.
- (b) each Performance-based Service Contract shall include provisions whereby the Service Provider shall be required to:
  - (i) carry out its activities under the respective Performance-based Service Contract with due diligence and efficiency and in accordance with sound public health, environmental and social and administrative standards and practices acceptable to the Association, including in accordance with the Financial Management Manual, the Safeguard Instruments and the Anti-Corruption Guidelines; provide promptly, as needed, the resources required for that purpose; and procure the inputs required for said activities in accordance with procedures that ensure economy and efficiency;
  - (ii) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect its operations, resources and expenditures; and at the Recipient's or the Association's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient or Association; and



(iii) enable the Recipient and the Association to inspect its facilities, operations and any records and documents relevant to the respective Performance-based Service Contract; and prepare and furnish to the Recipient and the Association all such information as either shall reasonably request relating to the Performance-based Service Contract.

**2. Performance Management Contracts**

To ensure proper implementation of Part 1 (a) of the Project, the Recipient shall engage, in accordance with the Procurement Regulations and provisions of this Agreement, a firm, under a performance management contract, and under terms and conditions set forth in the Financial Management Manual and approved in writing by the Association, to provide management assistance to Service Providers in the delivery of EPHS and BPHS.

**D. Safeguards.**

**1. The Recipient shall:**

- (a) ensure that the Project is carried out in accordance with the Safeguards Instruments, in a manner and substance satisfactory to the Association; and
- (b) refrain from amending, suspending, waiving, abrogating, and/or voiding any provision of the Safeguards Instruments, in whole or in part, without the prior written agreement of the Association.

**2. The Recipient shall:**

- (a) take all necessary actions to avoid or otherwise minimize to the extent possible, and to mitigate, any involuntary loss by persons of shelter, productive assets or access to productive assets or income or means of livelihood, temporarily or permanently, and the displacement of said people in the carrying out of the Project or any part thereof; and
- (b) whenever a new or revised HCWMP or ESMP or any additional or revised Safeguards Instrument is required for any proposed activity under the Project in accordance with the provisions of the ESMF:
  - (i) prior to the commencement of such activity, proceed to have such ESMP or HCWMP (as the case may be): (i) prepared in accordance with the provisions of the ESMF; (ii) furnished to the Association for review and approval; and (iii) thereafter adopted and disclosed as approved by the Association, in a manner acceptable to the Association;

- (ii) thereafter take such measures as shall be necessary or appropriate to ensure compliance with the requirements of such ESMP or HCWMP (as the case may be).
- 3. The Recipient shall maintain throughout Project implementation, a grievance redress mechanism for the Project, with staffing and operating procedures acceptable to the Association, for monitoring and addressing the concerns of people affected by the Project and building public and stakeholder support for the Project.
- 4. The Recipient shall maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of the Safeguards Instruments. Without limiting its other reporting obligations under this Agreement, the Recipient shall take all necessary measures to collect, compile and submit to the Association, as part of the Project Reports, information on the status of compliance with the Safeguards Instruments, giving details of:
  - (a) measures taken in furtherance of the Safeguards Instruments;
  - (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguards Instruments, particularly those related to the relevant ESMP or HCWMP; and
  - (c) remedial measures taken or required to be taken immediately to address such conditions.
- 5. In the event of any inconsistency between the provisions of any of the Safeguards Instruments and the provisions of this Agreement, the provisions of this Agreement shall prevail.

**Section II. Project Monitoring, Reporting and Evaluation**

The Recipient shall furnish to the Association each Project Report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester.

**Section III. Withdrawal of the Proceeds of the Financing**

**A. General**

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to: (a) finance Eligible

Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

<b>Category</b>	<b>Amount of the Financing Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods, non-consulting services, consulting services, Incremental Operating Costs, Training and Workshops for the Project	96,100,000	100%
<b>TOTAL AMOUNT</b>	96,100,000	100%

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed \$ fifteen million (\$ 15,000,000) may be made for payments made prior to this date but on or after April 30, 2017 for Eligible Expenditures under Category (1).
2. The Closing Date is June 30, 2021.

## APPENDIX

### Definitions

1. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, 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 and as of July 1, 2016.
2. “BPHS” means a basic package of health services to be delivered by health service provider under Schedule 1 to this Agreement, containing preventive, promotive, curative, reproductive, basic mental and disability health services.
3. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
4. “Community Development Council” or “CDC” means a community based decision-making body that includes a chairperson, vice-chairpersons, secretary, and treasurer, and is responsible for, *inter alia*, preparing community development plans and project proposals.
5. “Environmental and Social Management Framework” or “ESMF” means the environmental and social management framework adopted by the Recipient and disclosed on February 1, 2018, acceptable to the Association, setting out the principles, standards, processes and tools to be applied to assess potential adverse environmental and social impacts associated with Project activities and the ways to avoid, minimize and/or mitigate them, with related public consultation, disclosure, reporting and grievance redress procedures, including for the preparation of Environmental and Social Management Plans, as may be required for Project activities, as said framework may be modified from time to time by agreement between the Recipient and the Association.
6. “Environmental and Social Management Plan” or “ESMP” means, individually, each environmental and social management plan, as may be required to be prepared in accordance with the ESMF and Section I.D.2(b) of the Schedule 2 to this Agreement, setting forth mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to eliminate any adverse environmental impacts of activities to be implemented under the Project, offset them, or reduce them to acceptable levels, or enhance positive impacts, as the same may be modified from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such plan, and “Environmental and Social Management Plans” and “ESMPs” means, collectively, all such plans.

7. “EPHS” means an essential package of hospital services to be delivered by the Service Providers under Schedule 1 to this Agreement, containing secondary diagnostic and treatment services such as gynecology, obstetrics, neonatal care, postpartum care and complications, nutrition, orthopedics, surgical care, respiratory and gastrointestinal care.
8. “Financial Management Manual” means the manual satisfactory to the Association to be prepared by MOPH containing detailed financial management arrangements necessary for the effective implementation of the Project.
9. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated July 14, 2017.
10. “Health Care Waste Management Plan” or “HCWMP” means Recipient’s health care waste management plan dated November 26, 2012, to be updated for purposes of the Project, identifying the problem of contaminated healthcare waste, designing a series of measures for mitigation thereof and defining institutional arrangements for its implementation, as such HCWMP shall be updated from time to time with written agreement of the Association.
11. “Health Information System” or “HIS” means MOPH’s information system for collecting, analyzing, and disseminating health data and information.
12. “Health Management Information System” or “HMIS” means a routine reporting system providing information on utilization of key health services provided by BPHS and EPHS health facilities.
13. “High-Level Health Program Oversight Committee” means a high-level committee referred to in Section I A.1(a) of Schedule 2 to this Agreement.
14. “IDLG” means Recipient’s Independent Directorate for Local Governance, or any successor thereto.
15. “Incremental Operating Costs” means Project-related incremental expenses incurred on account of Project implementation support and management, including the rental of office space; the operation, maintenance, rental and insurance of vehicles; fuel; communications supplies and charges; advertisements; books and periodicals; office administration and maintenance costs; bank transaction charges; utility charges; travel and per diem; and remuneration of contracted staff under the Project.
16. “MOF” or “Ministry of Finance” means Recipient’s Ministry responsible for finance, or any successor thereto.

17. “MOPH” or “Ministry of Public Health” means Recipient’s Ministry responsible for public health, or any successor thereto.
18. “National Technical Assistance Salary Scale and Implementation Guideline” is Recipient’s policy adopted pursuant to presidential decree number 852, dated July 29, 2015, to harmonize Afghan technical assistance salary scales.
19. “NGO” means a non-governmental organization registered and operating under the laws of the Recipient.
20. “Performance-based Service Contracts” means the contracts referred to in Section I.C.1 of Schedule 2 to this Agreement.
21. “Performance Management Contracts” means the contracts referred to in Section I.C.2 of Schedule 2 to this Agreement.
22. “Procurement Regulations” means, for purposes of paragraph 87 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016, revised November 2017.
23. “Safeguards Instruments” means the Environmental and Social Management Framework, Health Care Waste Management Plan, and the Environmental and Social Management Plan(s).
24. “Sehatmandi Coordination Office” means a unit within MOPH as referred to in Section I A.1(b) of Schedule 2 to this Agreement.
25. “Service Provider” means MOPH or any other entity providing health services, which will be assisting the MOPH in delivering EPHS and BPHS (as the case may be) under the Project; and “Services Providers” means the plural thereof
26. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.
27. “Training and Workshops” means the reasonable costs of training, workshops and conferences conducted in the territory of the Recipient and abroad, including the purchase and publication of materials, rental of facilities, course fees, travel and subsistence allowances for trainers and trainees.