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Report No: RES21508

RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF THE
PUNJAB HEALTH SECTOR REFORM PROJECT
(PHSRP)
P123394 - IDA CREDIT 52580
TO THE
GOVERNMENT OF PAKISTAN
FEBRUARY 17, 2017

HEALTH, NUTRITION AND POPULATION
SOUTH ASIA REGION

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ABBREVIATIONS AND ACRONYMS

DA	Designated Account
DGHS	Directorate General Health Services
DLI	Disbursement Linked Indicators
DOH	Department of Health
EAD	Economic Affairs Division
EDO	Executive District Officers
EEPs	Eligible Expenditure Programs
EPHS	Essential Health Service Package
FP	Family Planning
GOPb	Government of Punjab
HFA	Health Facility Assessment
HRITF	Health Results and Innovation Trust Fund
HSS	Health Sector Strategy
HSRP	Health Sector Reform Program
IDA	International Development Association
IFR	Interim Financial Reports
IRMNCH	Integrated Reproductive, Maternal, Neonatal and Child Health (program)
LHW	Lady Health Worker Program
M & E	Monitoring and evaluation
MNCH	Maternal, Newborn, and Child Health
MTR	Mid Term Review
PDO	Project Development Objective
PHSRP	Punjab Health Sector Reform Project
PSHD	Primary and Secondary Healthcare Department
PSPU	Policy and Strategic Planning Unit
PHC	Punjab Healthcare Commission
RBF	Results Based Financing
SAM	Severe Acute Malnutrition
SHAMED	Specialized Healthcare and Medical Education Department
TA	Technical Assistance

GOVERNMENT OF PAKISTAN
PUNJAB HEALTH SECTOR REFORM PROJECT

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DATA SHEET

Pakistan

Punjab Health Sector Reform Project (P123394)

SOUTH ASIA

Health, Nutrition & Population

Report No: RES21508

Basic Information									
Project ID:	P123394	Lending Instrument:	Investment Project Financing						
Regional Vice President:	Annette Dixon	Original EA Category:	Partial Assessment (B)						
Country Director:	Patchamuthu Illangovan	Current EA Category:	Partial Assessment (B)						
Senior Global Practice Director:	Timothy Grant Evans	Original Approval Date:	31-May-2013						
Practice Manager/Manager:	Rekha Menon	Current Closing Date:	31-Dec-2017						
Team Leader(s):	Tayyeb Masud								
Borrower:									
Economics Affairs Division, Government of Pakistan									
Responsible Agency:									
1) Policy and Strategic Planning Unit, Primary and Secondary Healthcare Department, Punjab 2) Integrated Reproductive, Maternal Neonatal and Child Health Program, Primary and Secondary Healthcare Department, Punjab 3) Multi Sector Nutrition Cell, Planning and Development Department, Punjab									
Restructuring Type									
Form Type:	Full Restructuring Paper	Decision Authority:	CD Decision						
Restructuring Level:	Level 2								
Financing (as of 03-Jun-2016)									
Key Dates									
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date		
P123394	IDA-52580	Effective	31-May-2013	02-Dec-2013	17-Jan-2014	31-Dec-2017	31-Dec-2017		
P123394	TF-15283	Effective	09-Jul-2014	09-Jul-2014	09-Jul-2014	31-Dec-2017	31-Dec-2017		
Disbursements (in Millions)									
Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed

P123394	IDA-52580	Effective	USD	100.00	100.00	0.00	27.29	66.21	27
P123394	TF-15283	Effective	USD	20.00	20.00	0.00	0.00	20.00	

Policy Waivers

Does the project depart from the CAS/CPF in content or in other significant respects?	Yes []	No [X]
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Does the project require any policy waiver(s)?	Yes []	No [X]
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A. Summary of Proposed Changes

This Project Paper seeks approval to proceed with the restructuring of the Punjab Health Sector Reform Project (PHSRP). The objective of the proposed restructuring is to realign the PHSRP with the Government of Punjab's (GOPb) new reform priorities as well as with the structural changes in the Punjab Department of Health since project approval.

The Project Development Objective (PDO) remains relevant and the overall project focus will remain unchanged. The project design is to assist in the implementation of reforms proposed in the Punjab Health Sector Strategy and at the same time ensure that service disruption does not occur due to the reforms by keeping a focus on service delivery. In addition, the project has a Technical Assistance (TA) component to provide an opportunity to the Departments of Health to avail specific skills that are required during the reform process.

The Health Sector Strategy was approved in March 2013 and during its implementation, the government has decided that some of processes to achieve the objectives need to be changed and focus diverted. The project is being restructured in order to ensure that it can help achieve these objectives and remain relevant within the current context. Specifically, the restructuring of the project entails the following changes:

- i) Revision of components to align with current priorities, including;
 - a) adding a new component to strengthen the GOPb's response to address a persisting high burden of stunting and malnutrition;
 - b) addressing the slow reduction of the fertility rate;
 - c) dropping 7 Disbursement Linked Indicators (DLIs) which are no longer relevant due to changes in policy directions;
 - d) modification of three DLIs to strengthen related activities; and
 - e) addition of 7 new/modified DLIs to enhance focus on the results chain.
- ii) Change in implementation arrangements
 - a) expanding number of implementing agencies to three;
 - b) changing financial management and procurement arrangements to allow for the three entities;
 - c) disbursement into three designated accounts for components 4 and 5;
 - d) change of (eligible) expenditure category for nutrition interventions to IFR based payments;
 - e) reallocation among the eligible expenditure categories; and
 - f) suspension of US\$20 million Health Results Innovation Trust Fund (HRITF) grant.
- iii) Revision of the Results Framework
 - a) removing indicators related to processes dropped by the government;
 - b) addition of two indicators on nutrition; and
 - c) revising indicators to reflect the agreements for the modified DLIs.
- iv) Extension of the Closing Date of the project by one year until December 31, 2018.

Change in Implementing Agency	Yes [X]	No []
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Change in Project's Development Objectives	Yes []	No [X]
Change in Results Framework	Yes [X]	No []
Change in Safeguard Policies Triggered	Yes []	No [X]
Change of EA category	Yes []	No [X]
Other Changes to Safeguards	Yes []	No [X]
Change in Legal Covenants	Yes [X]	No []
Change in Loan Closing Date(s)	Yes [X]	No []
Cancellations Proposed	Yes []	No [X]
Change to Financing Plan	Yes [X]	No []
Change in Disbursement Arrangements	Yes [X]	No []
Reallocation between Disbursement Categories	Yes [X]	No []
Change in Disbursement Estimates	Yes [X]	No []
Change to Components and Cost	Yes [X]	No []
Change in Institutional Arrangements	Yes [X]	No []
Change in Financial Management	Yes [X]	No []
Change in Procurement	Yes [X]	No []
Change in Implementation Schedule	Yes [X]	No []
Other Change(s)	Yes []	No [X]
Appraisal Summary Change in Economic and Financial Analysis	Yes []	No [X]
Appraisal Summary Change in Technical Analysis	Yes []	No [X]
Appraisal Summary Change in Social Analysis	Yes []	No [X]
Appraisal Summary Change in Environmental Analysis	Yes []	No [X]
Appraisal Summary Change in Risk Assessment	Yes []	No [X]

B. Project Status

The PHSRP is financed by: (i) an International Development Association (IDA) Credit (Cr52580) of SDR 66.8 million (US\$100 million equivalent); and (ii) HRITF Grant (TF015283) of US\$21.5 million. The project was approved on May 31, 2013 and became effective on January 17, 2014. The project has disbursed 27 percent (US\$27.2 million) of the IDA Credit while the HRITF Grant remains undisbursed.

The PHSRP included four components as follows: Component 1 - Improving Health Service Delivery (IDA US\$28.34 million); Component 2 - Enhancing Efficiency and Effectiveness of the Health System (IDA US\$34.00 million and HRITF US\$10 million); Component 3 - Strengthening Provincial Department of Health Management Capacity (IDA US\$22.66 million); and Component 4 - Improving the Capacities in Technical Areas for Equitable Health Services for All (IDA US\$15 million and HRITF US\$11.5 million).

The project uses three disbursement modalities: (i) reimbursement against the selected Eligible Expenditure Programs (EEPs) upon achievements of Disbursement Linked Indicators (DLIs) under Components 1, 2, and 3; (ii) performance-based financing for districts and health facilities, partly funded by the HRITF, under Components 2 and 4; and, (iii) IFR based payments for TA and pilots under Component 4.

The PHSRP had a very slow start due to: a) the general elections in 2013; b) formation of a new government; and c) frequent changes in the senior management of the Department of Health (DOH). The pace of implementation improved in 2014, and the project was able to disburse against five out of fifteen DLIs.

By the mid-term review (MTR) in August 2015, the project demonstrated good overall progress towards the achievement of the PDO and was rated as Moderately Satisfactory. There was progress for key health indicators including the 18 low performing districts which the project focuses on.

The service delivery interventions under Component 1, including Maternal, Newborn, and Child Health (MNCH), the Lady Health Worker Program (LHWP) and HIV/AIDS, showed progress, although the achievement of the agreed targets was lagging especially for family planning related indicators. Under Component 2, key regulatory reforms were undertaken and accountability aspects in the DOH strengthened, including the first finalization of the Health Facility Assessment, publication of the Annual Health Report, Provisional licensing by the Punjab Health Care Commission, and preparation and notification of essential packages of health services for primary and secondary care facilities. Under Component 3, the management reforms have been lagging; including contracting/ outsourcing, restructuring of the Directorate General Health Services (DGHS), fiduciary, and monitoring and evaluation (M&E). These reforms have mostly been discarded by the departments of health as IT based systems for monitoring and division of the health department into two entities has been undertaken.

There were some areas which were found lagging like refresher training for nutrition, nutrition guidelines, LHWs evaluation etc. which were still pending as of January 2016, mainly as a result of significant changes in the reform context in the health sector in Punjab and with respect to the institutional arrangements in the DOH, including:

i) Relevance of the Health Sector Strategy and its implementation: The Health Sector Strategy (HSS: 2012-2020) was the basis for the design of the project and clearly outlined strategic directions focused on results, envisaging reforms in management, governance, and accountability, and the strengthening of health systems. The World Bank project was designed to support the GOPb to implement the first phase of the reforms. As the reform is a dynamic process lead by the Chief Minister; some of the agreed actions have been rendered inapplicable. Actions initiated on reforms supported under PHSRP, such as fiduciary, human resources (HR), and M&E, have been implemented however, due to division of the DOH, its effectiveness has waned. Further, the implementation of the HSS has seen changes in focus with some reforms related to service delivery taking place and others, such as the management and structural reforms, not being implemented and replaced with some new reforms e.g. division of the department, shifting focus on secondary care hospitals, new monitoring mechanisms, etc.

ii) Division of DOH: In December 2015, DOH was divided into i) the Primary and Secondary Healthcare Department (PSHD), and ii) the Specialized Healthcare and Medical Education Department (SHMED). As a result, it caused new gaps in the implementation capacity of the departments. In the short term, some sharing of resources among both departments is occurring on an ad hoc basis; however, in the longer term, proper institutional arrangements will need to be made to ensure smooth functioning of both departments.

iii) Repeated changes in DOH leadership: Frequent changes in the DOH senior management have led to discontinuity in the decision making and reform directions. This has severely affected the agreements and progress on key areas, especially the decisions on: i) the results based financing model; ii) the district management performance based contracting; and iii) the contracting model for low performing districts in order to utilize the HRITF Grant. Meanwhile, the Policy and Strategic Planning Unit (PSPU) and the Bank team have continued to work jointly to re-design and develop reforms involving stakeholders to

arrive at a consensus. However, with every change in leadership, the agreed-on design was again revisited and revised.

iv) Multiple centers of decision making in DOH: The health sector stocktaking exercise (DFID supported Roadmap approach: a bimonthly review of progress on key indicators by district), being carried out by the Roadmap team, reporting directly to the Chief Minister of Punjab since late 2014, provides an opportunity for the government to focus on results being achieved. Unfortunately, the monitoring mechanism has become the main driver for the reforms. The lack of capacity and discontinuity of leadership within the DOH has created a misalignment between the Roadmap focus and the Health Sector Strategy. The Roadmap focus is mostly on short term inputs while the longer term reforms are still pending.

v) Excessive focus on disbursement-linked indicators: The excessive focus of the DOH on only those indicators in the results framework which are the DLIs, has created a situation where the results chain was not being adequately monitored and activities were only initiated just to meet the DLIs.

In such changing contexts and bureaucratic instability, the Bank and GOPb agreed that restructuring of the project is required in order to align it better with the new reform directions by the GoPb. The official request for restructuring of the PHSRP was received on September 16, 2015; however, the documentation in the DOH was only completed and submitted to the Planning Department in August 2016 and internal approval for the nutrition component was accorded on October 7, 2016.

The principles on which this restructuring is being undertaken are: i) continue with intervention areas which are showing good progress; ii) enhance efforts on areas which are high priority; and iii) drop activities which due to policy changes are no longer relevant to the reform agenda.

To ensure effective monitoring of the project, the following mechanisms between the Bank and GOPb were also agreed on: i) the revamping of the Project Steering Committee to enable better coordination between the two bifurcated Departments, and ii) the alignment with and utilization of the Roadmap.

C. Proposed Changes

Change in Implementing Agency

At project approval, the DoH, GoPb, was the administrative department for the PHSRP, while the Punjab Health Sector Reforms Program was the implementing unit for the project. The Punjab Health Sector Reforms Program was renamed as the Policy and Strategic Planning Unit (PSPU), by the GoPb, after project approval. The structure and the legal status of the PSPU remains the same as the Punjab Health Sector Reform Program.

The project will have three implementing agencies with independent designated accounts: a) Policy and Strategic Planning Unit; b) Integrated Reproductive, Maternal Neonatal and Child Health (IRMNCH) program for health sector lead nutrition interventions; and c) Multi Sectoral Nutrition (MSN) cell for cross sectoral interventions for nutrition.

Implementing Agency Name	Type	Action
Health Sector Reform Program, Department of Health	Implementing Agency	Marked for Deletion
Punjab Health Sector Reform Program	Implementing Agency	Marked for Deletion
Policy and Strategic Planning Unit, Punjab	Implementing Agency	New

Integrated Reproductive, Maternal Neonatal and Child Health program	Implementing Agency	New
Multi Sector Nutrition Cell	Implementing Agency	New
Development Objectives/Results		
Project Development Objectives		
Original PDO		
<p>The development objective of the proposed project is to support the implementation of the Punjab Health Sector Strategy, by focusing on the improvement of the coverage and utilization of quality essential health services, particularly in the low performing districts of Punjab. The project will focus on building the capacity and systems to strengthen accountability and stewardship in DoH.</p>		
Change in Project's Development Objectives		
Change in Results Framework		
Explanation:		
<p>The majority of the original PDO level indicators, intermediate outcome indicators as well as their targets in the Results Framework will remain unchanged. However, the following modifications are proposed:</p> <p>(i) PDO indicator #4 - Proportion of children 0-24 months of age receiving the basic package of nutrition services. Considering a recent reemphasis on malnutrition in Pakistan due to stagnant improvements, this indicator will be modified as follows: Proportion of children 0-24 months of age in the 18 low performing districts receiving the basic package of nutrition services. The target for this activity will be 80 percent of children, currently around 10 percent of children receive any sort of nutrition service.</p> <p>(ii) PDO indicator #5 - Number of Category -1 Health Care Establishments issued with provisional licenses (certificate of registration) by the Punjab Healthcare Commission (PHC). This indicator will be modified to include Category-2 institutions as the PHC has clarified that Punjab does not have 500 Category 1 institutions as was originally estimated and defined as the target. With the addition of Category -2 institutions the number will exceed 500 hence, the original target values will be unchanged.</p> <p>(iii) PDO indicator #6 - Percentage of community members satisfied with government health care services. This indicator will be modified as: Percentage of community members satisfied with services at public health care facilities.</p> <p>(iv) Two new intermediate outcome indicators are added to track progress under a newly created nutrition specific component: (a) Proportion of children 0-24 months of age being screened (at least biannually) for malnutrition in the target districts. The target will be at least 80 percent of children in the target districts (18 low performing districts); (b) Proportion of children 6-24 months of age identified with Severe Acute Malnutrition (SAM) in total screened children in the target districts (18 low performing districts).</p> <p>(v) The end target date for all indicators would be extended to December 31, 2018 to match with the newly proposed Closing Date.</p> <p>The revised Results Framework is attached in Annex A.</p>		
Change in Legal Covenants		
Explanation:		
<p>It is proposed to modify legal covenants under the restructuring with the following amendments</p> <p>i) Change in implementing entity: Due to division of the DOH, the responsible implementing entity will be changed to the Primary and Secondary Health Department.</p>		

- ii) Change in name of implementing unit: The Punjab Health Sector Reform Program, the original implementing unit of the project, has been renamed as the PSPU and require changes in legal documentation.
- iii) Change in the frequency of Health Facility Assessment.
- iv) Add legal covenant/disbursement condition to employ key fiduciary staff at new implementing entities i.e. IRMCH program and Multi Sector Nutrition Cell.

In addition, two original legal covenants related to (i) the performance review on the PRSP and district management performance based contracts; and (ii) results based financing (RBF) pilots and voucher scheme, will be dropped as the associated reforms have not been taken up at DOH due to the change in the policy directions.

Ln/Cr/TF	Finance Agreement Reference	Description of Covenant	Date Due	Status	Recurrent	Frequency	Action
IDA-52580		Finance Agreement :Implementation Arrangements Description :Punjab will: (i) establish and maintain (i) a Steering Committee at the provincial level and (ii) a Health Technical Committee in the Department of Health: and maintain the Punjab Health Sector Reform Program, and (iii) the Executive District Officers (Health). Section I.A. of the Schedule to the PA. Frequency :Yearly		Complied with	<input type="checkbox"/>		Revised
IDA-52580	Section I.A. of the Schedule to the PA.	Finance Agreement :Implementation Arrangements Description :Punjab will establish and maintain (i) a Steering Committee at the provincial level and (ii) a Health Technical Committee in the Department of Health: and maintain the Punjab: Policy and Strategy Planning Unit, and (iii) the Executive District Officers (Health). Frequency :Yearly		Complied with	<input type="checkbox"/>		Proposed
IDA-52580		Finance Agreement :Environmental and Medical Waste Management Plan Description :Punjab to ensure that the activities under the Project are carried out in accordance with the		Complied with	<input type="checkbox"/>		No Change

		Environmental and Medical Waste Management Plan. Section I. C of Schedule 2 to the FA and Section I.C of the Schedule to PA. Frequency :Yearly					
IDA-52580		Finance Agreement :Essential Health Service Package (EPHS) at primary and secondary level Description :Essential Health Service Package at primary and secondary levels approved. Section I. D of the Schedule to the PA. For Secondary Package due date is December 31, 2014. Due Date :31-Dec-2013		Complied with	<input type="checkbox"/>		No Change
IDA-52580		Finance Agreement :Performance review on the PRSP and district management contracts Description :Semi-annual performance review of: (1) the PRSP contracts at the district level by EDO (H), (2) the district management contracts by DGHS: and (3) dissemination of the results of such reviews on annual basis. Section I.E of the Schedule to the PA. Frequency :Yearly		Unknown	<input type="checkbox"/>		Marked for Deletion
IDA-52580		Finance Agreement :Annual Health Report and Annual Health Facility Assessment Description :Provision for preparing an annual health report and conducting an annual health facility assessment, and disseminating results/datathereof. Section I.F. of the Schedule to the PA Frequency :Yearly		Complied with	<input type="checkbox"/>		Revised
IDA-52580	Section I.F. of the Schedule to the PA	Finance Agreement :Annual Health Report and Annual Health Facility Assessment Description :Provision for preparing an annual health report and conducting an health facility assessment, and disseminating results/datathereof.	30-Jun-2017	Complied with	<input type="checkbox"/>		Proposed

IDA-52580		<p>Finance Agreement :Environmental and FM specialists at PHSRP Description :Provision for hiring one environment specialist and one financial management specialist within PHRSP. Sections I.A.3 and II.B.5 of the Schedule to the PA, respectively. Due Date :31-May-2014</p>		Complied with	<input type="checkbox"/>		No Change
IDA-52580		<p>Finance Agreement :Planning and implementation of FM plan and Payroll Audit Description :Preparation and implementation of: (1) an implementation plan for strengthening the financial management capacity of P&SHD; and (2) a plan for periodic payroll audits, including reparation of periodic payroll audit reports. (1) Section II.B.4 of the Schedule to the PA (2) Section II.B.6 of the Schedule to the PA. Due Date :31-Aug-2014</p>		Partially complied with	<input type="checkbox"/>		No Change
IDA-52580		<p>Finance Agreement :Budget Execution Reports Description :Preparation and submission to the Association of quarterly consolidated Budget Execution Reports setting out values of budgets, actual expenditures incurred, per budget line, for the whole health sector. Section II.C of the Schedule to the PA Frequency :Quarterly</p>		Complied with	<input type="checkbox"/>		No Change
IDA-52580		<p>Finance Agreement :Procurement documentation, record keeping, and disclosure, complaints mechanism Description :Establishment and maintenance of (1) procurement documentation and record keeping system: and (2) a system for the handling of</p>		Partially complied with	<input type="checkbox"/>		No Change

		procurement complaints. Section III.2 of the Schedule to the PA. Due Date :31-Aug-2014					
IDA-52580		Finance Agreement :Mid-Term Review Description :Provision for the preparation of a mid-term report and joint review with the Bank. Section II.2 of the Schedule to the PA. Due Date :13-Apr-2015		Complied with	<input type="checkbox"/>		No Change
IDA-52580		Finance Agreement :RBF pilots, Voucher/Insurance Schemes Description :Punjab to ensure that activities related to RBF pilots, the vouchers and the insurance scheme under Component 4 are carried out, inaccordance with the manuals prepared for this purpose. Section I.G of the Schedule to the PA. Frequency :Quarterly		Unknown	<input type="checkbox"/>		Marked for Deletion
IDA-52580		No withdrawal shall be made under Category 7, until and unless Punjab has appointed a financial management specialist and a procurement specialist with qualifications, experience and terms of reference satisfactory to the Association each for Multisectoral nutrition Cell within the planning department and Integrated Reproductive, Maternal Neonatal and Child Health Program.		New	<input type="checkbox"/>		New
Financing							
Change in Loan Closing Date(s)							
Explanation:							
Due to the initial delay of seven and half months for effectiveness after project approval and slow implementation progress due to administrative changes, it is proposed to extend the Closing Date of the IDA Financing by one year until December 31, 2018.							
Ln/Cr/TF	Status	Original Closing Date	Current Closing Date	Proposed Closing Date	Previous Closing Date(s)		
IDA-	Effective	31-Dec-2017	31-Dec-2017	31-Dec-2018	31-Dec-2017		

52580					
TF-15283	Effective	31-Dec-2017	31-Dec-2017	31-Dec-2016	31-Dec-2017

Cancellations

Explanation:

The HRITF Grant of US\$20 million for results-based financing and innovation and the planned impact evaluation for US\$1.5 million to be provided by the HRITF has been cancelled after an agreement with the government that financing is not required for the areas indicated in the grant proposal. The areas of innovation including vouchers for MCH, health insurance, RBF for health facilities and performance management contracts for district health officials.

Ln/Cr/TF	Status	Currency	Current Amount (in currency)	Cancelled Amount (in currency)	Proposed Amount (in currency)
IDA-52580	Effective	USD	100,000,000.00	0.00	100,000,000.00
TF-15283	Effective	USD	20,000,000.00	20,000,000.00	0.00

Change to Financing Plan

Explanation:

The HRITF grant of US\$20 million for results-based financing and innovation and US\$1.5 million for impact evaluation has been cancelled. This changes the overall project cost from US\$1,116,500,000 to US\$1,095,000,000.

Source(s)	At Approval	Current (from AUS)	Proposed
BORR	830,000,000.00	830,000,000.00	830,000,000.00
DFID	165,000,000.00	165,000,000.00	165,000,000.00
HRITF	21,500,000.00	20,000,000.00	0.00
IDA	100,000,000.00	100,000,000.00	100,000,000.00
Total	1,116,500,000.00	1,115,000,000.00	1,095,000,000.00

Change in Disbursement Arrangements

Explanation:

In addition to the existing disbursement arrangements; two new segregated Designated Accounts (DAs) in US Dollars will be opened at the National Bank of Pakistan for receipt of funds from the Bank; one will be operated by the MSN cell and the other by IRMNCH program. The DAs will be operated in accordance with the provisions of World Bank Disbursement Guidelines for Projects, dated May 1, 2006 and the revised Disbursement Letter attached to this package.

Disbursements for Components 4 and 5 (Disbursement Category 7) will be made quarterly using the report-based principle based on forecast provided in the quarterly Interim Financial Reports (IFRs). The PSPU will prepare and submit to the Bank IFRs for each calendar quarter within 45 days of the end of each quarter. Advances will be provided for the following six months based on the forecasted expenditure for that period as reported in IFRs. The PSPU, IRMNCH Program and MSN Cell will draw advances under disbursement category 7 into their DAs. Subsequent IFRs will document expenditures against the advance received and provide forecast expenditures for the further six months on the basis of which the amount of funds to be

disbursed will be determined.

For disbursements under disbursement category 7, two new DAs will be established at the National Bank of Pakistan. The Multisector Nutrition Cell will operate one account and the second will be operated by IRMNCH. The PSPU will also draw funds under disbursement category 7 using its existing DA.

Reallocations

Explanation:

The proposed reallocations of IDA Credit are due to the following reasons: (i) a new component Strengthening Nutrition interventions (Component 5) is being proposed in light of the enhanced focus on nutrition, with IFRs based financing of US\$37.82 million; (ii) the original Component 2 & 3 are being curtailed due to dropping of related DLIs; (iii) the original Component 4 (TA) is proposed to be tailored to support the bifurcated departments to ensure the relevance of the overall context; and (iv) the original Expenditure Category (1), which kept US\$17 million equivalent of the one-time advance upon effectiveness, will be removed as it was not utilized entirely.

As a result, the proposed reallocations will be:

- disbursement category 1 will be closed, 11,340,000 SDR reallocated
- disbursement category 2 disbursing against EEP will be decreased to SDR 35,266,000; SDR, 10,094,000 reallocated
- disbursement category 3 disbursing against SOE, amount will be decreased to SDR 300,000; SDR, 500,000 reallocated
- disbursement category 4 will be closed, 3,350,000 SDR will be reallocated
- disbursement category 5 will be closed, 3,350,000 SDR will be reallocated
- disbursement category 6 will be closed, 2,700,000 SDR will be reallocated
- new disbursement category 7 with an allocation of SDR 31,234,000 created
-

Ln/Cr/TF	Currency	Current Category of Expenditure	Allocation		Disbursement % (Type Total)	
			Current	Proposed	Current	Proposed
TF-15283	USD	Results Based Payments Part 2.2	10,000,000.00	0.00	100.00	0.00
		Performance Incentives Part 4.1	2,000,000.00	0.00	50.00	0.00
		CS,Trng&WS,IOC Part 4.1	3,000,000.00	0.00	100.00	0.00
		CS,Trng&WS,IOC and Subsidies Pt4.2	5,000,000.00	0.00	50.00	0.00
		Designated Account	0.00	0.00	50.00	0.00
		Total:	20,000,000.00	0.00		
IDA-52580-001	XDR	EEP Parts 1, 2 and 3	11,340,000.00	0.00	100.00	0.00
		EEP Parts 1, 2 and 3	45,360,000.00	35,266,000.00	100.00	100.00

	GD,NonCS,CS,IOC,Trng&WS Pt 4.3	700,000.00	300,000.00	100.00	100.00
	Performance Incentives Pt 4.1	3,350,000.00	0.00	50.00	0.00
	CS,Trng&WS,IOC,Subsidies Pt 4.2(i)	3,350,000.00	0.00	50.00	0.00
	CS,Trng&WS,IOC,PremSubsi Pt 4.2(ii)	2,700,000.00	0.00	100.00	0.00
	GD,NonCS,CS,IOC,Trng&WS pt 3 &4	0.00	31,234,000.00	0.00	100.00
	Total:	66,800,000.00	66,800,000.00		

Disbursement Estimates

Change in Disbursement Estimates

Explanation:

Revised disbursement estimates for the project will reflect the on year extension of the original closing date.

Fiscal Year	Current (USD)	Proposed (USD)
2013	0.00	0.00
2014	38,000,000.00	0.00
2015	16,340,000.00	22,279,736.00
2016	23,000,000.00	20,340,000.00
2017	22,660,000.00	49,370,000.00
2018		8,010,264.00
Total	100,000,000.00	100,000,000.00

Components

Change to Components and Cost

Explanation:

Under the restructuring, the focus of the interventions under each component will be modified, due to: (i) the change in policy directions and consequent deletion of related DLIs, and (ii) the increased focus on malnutrition activities and the reaffirmed commitment by the government at the time of a visit by the President of the World Bank in February 2016. Subsequently, the following changes to the components are proposed:

- (i) The original Component 1 will remain as is, but with a renewed focus on family planning and maternal health, to be financed through DLIs.
- (ii) The original Components 2 and 3 will now focus on the following reforms: complaint management systems and health care waste management.
- (iii) Technical assistance activities under Component 4 will be modified to provide a greater support for the agreed policy reforms, the bifurcated departments, and service delivery actions. Input-based financing will continue to be used for this component.
- (iv) A new Component 5 will consolidate all activities concerning nutrition to allow for a more focused implementation and monitoring of the activities. Component 5 will be financed through IFR based financing.

The detailed description of the revised components is as follows:

Component 1: Improving Health Service Delivery (US\$31.58 million)

Component 1 has the objective to enhance coverage, quality and access to an essential package of health care services (EPHS), including outreach and community level interventions for primary health care (PHC). In addition, EPHS for secondary care has been developed as part of the program. The main thematic areas to be addressed under the component will be:

- i) Integrated Management of Maternal Neonatal and Child Health (MNCH) and Lady Health Workers (LHWs) Programs. The project supports the expansion of 24/7 comprehensive obstetrical services (basic and comprehensive emergency obstetric and neonatal care: (EmONC) and family planning services).
- ii) Expanded Coverage of HIV/AIDS Preventive Services. The component supports expanding coverage of preventive, treatment, and care services for population subgroups vulnerable to HIV infection (IDUs and MSM) in targeted cities. Service provision has been contracted out through a competitive process and focuses on large cities, complementing the Global Fund's support in smaller cities.

Overall activities in Component 1 are on track and have shown progress as per the Results Framework; however, improvement in family planning activities has lagged behind. Thus, some changes are being proposed to incentivize the results chain for family planning activities.

Family Planning (FP): Progress in FP related indicators, i.e., contraceptive prevalence rate (CPR; modern method) and unmet need for contraception, is minimal in Punjab. The CPR increased only 1.8% between 2011 and 2014; the level has worsened in one third of districts. Interventions from both supply and demand sides are required to increase uptake of FP services and thereby boost CPR in Punjab.

For the supply side, there are three areas: FP commodity, training of service providers, and mode of service delivery. Contraceptive commodity has already been procured by the Government through DFID resources. The training on FP for 48,000 LHWs has been achieved in 2015. The modes of service delivery is a challenge as there has been no new intervention for the last decade. Mix of services available in rural areas is limited and unchanged, while social marketing of contraceptives has not expanded outside the urban areas. To break through such a stalled situation in FP service delivery, the GOPb decided to establish a Punjab Population Innovation Fund to explore innovations in FP service delivery for increased CPR, which may include the introduction of a new contraceptive method, branding of FP products, contracting out, demand-side interventions, etc. The Fund is being established at the Planning Department of the GOPb which will have government budget allocated to provide funds to test out such innovations. Under the program for the first year the target is establishment of the population fund and for the second year the actual award of grants to test out innovations.

On the demand side, as contraceptive supplies have already been procured, the increase in utilization of FP services is the key result to be achieved under the project. Data show that the awareness of FP is high, however the gap remains in knowledge about supply sites and actual utilization. The program aims to make the services available at all health and population welfare facilities thus a media campaign to increase the knowledge about the service delivery sites in the public sector is the result for the first year. For the second year the increase in number of clients at the public facilities for FP services is the proposed result.

Maternal morbidity and mortality: the PHSRP targets to increase skilled birth attendance as a pathway to decrease maternal morbidity and mortality. Although there has been an increase in skilled birth attendance, results from the Health Facility Assessment and Pakistan Social and Living Standards Measurement Survey

indicate that the availability of emergency medical services during delivery is limited, especially in public facilities. To fill in this gap the target DLI has been split in two sections: for the first year the target is the availability of emergency obstetrical services at all District level hospitals, and for the second year the target remains at the overall skilled birth attendance.

The following changes are proposed in the DLIs under Component 1. (The component had a total of 5 DLIs, 3 DLIs achieved, 2 to be revised). After restructuring, this component will have 6 DLIs.

- (i) Already achieved - 3 DLIs (approval of 3 PC-1s; 15,000 LHWs training on family planning and nutrition; and six HIV/AIDS service contracts)
- (ii) To be modified - 2 DLIs (modern contraceptive prevalence rate at least 35% in Punjab; at least 60% of children identified with severe acute malnutrition in 12 under performing districts, registered for treatment)
- (iii) After the restructuring -

FY2017 - 4 DLIs (total: US\$8 million)

- Media campaign for family planning services designed and implemented (new) (US\$1.0 million)
- Punjab Population Fund fully operationalized (new) (US\$2.5 million)
- Punjab Population Fund has awarded five contracts (new) (US\$2.5 million)
- 90% of DHQs in 18 low performing districts are providing Comprehensive EmONC services (new) (US\$2.0 million)

FY 2018 - 2 DLIs (total: US\$6.0 million)

- Increase in FP service intake at DOH facilities in 18 districts (new) (US\$3.5 million)
- Skilled birth attendance at least 70% in the province (revised) (US\$2.5 million)

Component 2: Enhancing Efficiency and Effectiveness of the Health System (US\$10.8 million)

The objective of this component is to enhance efficiency and effectiveness of the health system by strengthening ongoing initiatives with a focus on management and accountability and improving quality of care through regulations and standardization of services both in the public and private sectors; (i) operationalizing the Punjab Healthcare Commission, including operationalizing the registration and licensing of health care establishments in public and private sector and a consumer complaint system; and (ii) social accountability initiatives, including regular health facility assessment and household surveys, data dissemination, community based monitoring/auditing, and strengthening complaints mechanisms.

At project approval, there were four thematic areas under Component 2: (i) primary care contracting out: amendment of the ongoing contracts with the Punjab Rural Support Program (PRSP) for more results-based contracting out with community-based interventions; (ii) results-based District Management Contract: establishing a results-based performance evaluation and management for all districts between DOH and District Health Offices (performance incentives were to be financed by HRITF); and (iii) Enhancing governance and accountability mechanisms - supporting regulatory reforms including operationalizing the Punjab Healthcare Commission (PHC), third-party validation of results from annual Health Facility Assessments and household surveys; data dissemination for greater accountability; community-based monitoring/auditing using modern technologies, etc.

Primary care contracting out is being modified and PRSP will no longer have single source contracts, however the procurement process is stalled due to issues with the proposed contracts and lack of bidders willing to deliver the offered services. Results based district management contracts have been shelved. The regulatory reforms are on track and some results have been achieved, while others are on track.

The following changes are proposed in the DLIs under Component 2. (Component had a total of 6 DLIs, 1 achieved, 1 to be revised and 4 dropped.) After restructuring this component will have 2 DLIs.

- (i) Already achieved - 1 DLIs (provisional licenses by the PHC)
- (ii) To be dropped - 4 DLIs, (results-based contracts with the Punjab Rural Support Program (PRSP), performance management contracts with all District Health Offices, 80% of low performing districts have attained an increase of 10 percentage points in the scorecard and client satisfaction)
- (iii) To be revised- 1 DLI (PHC complaint system)

After the restructuring – (US\$5.0 million)

FY2017 Complaint management system is in place in 33% of secondary care hospitals (revised) (US\$2.5 million)

FY 2018 Complaint management system is in place in 66% of secondary care hospitals (revised) (US\$2.5 million)

Component 3: Strengthening Provincial Department of Health Management Capacity(US\$10.8 million)

The objective of this component is strengthening the fiduciary functions of DoH with respect to: (i) procurement, by enhancing the functional independence of procurement-related activities, operationalizing the use of health sector specific procurement procedures/manuals, analyzing and improving supply chain management, providing training for field staff; and (ii) financial management, by enhancing the functional independence of financial management-related activities, strengthening management of health sector budgets, and developing a system for internal audits. In addition, piloting of medical waste management plans at the district level, and planning and allocating resources for its expansion at the provincial level.

The following thematic areas were included: (i) Strengthening DOH: stewardship functions, including the DGHS restructuring, creation of a policy unit, and HR; (ii) Restructuring the Punjab Health Foundation to work with the private sector; (iii) Building fiduciary functions in the DOH; and (iv) Environment and medical waste management.

Due to the division of the DOH in December 2015, it became apparent that this component needs to be substantially redesigned to align with a new structure with two health departments. Under the restructuring, the following areas are proposed to be dropped: the DGHS restructuring and revamping of the Punjab Health Foundation. Strengthening fiduciary capacity in the DOH has been ongoing however it has been affected by the division as well. The medical waste management activities are on track and a project has been approved to expand them to 15 districts.

The following changes are proposed in the DLIs under Component 3. (Component had a total of 4 DLIs, 1 achieved, 1 to be revised and 2 dropped.) After restructuring this component will have 2 DLIs.

- (i) Already achieved - 1 DLI (Establishment of FM and procurement Cells)
- (ii) To be dropped - 2 DLIs, (reorganization of DGHS, Non salary budget item in districts)
- (iii) To be revised- 1 DLI (Hospital Waste Management)

After the restructuring – 2 DLIs (US\$5.0 million)

FY2017 At least two secondary level health facilities have adopted and implemented the Medical Waste Management Plan (no change) (US\$ 2.5 million)

FY 2018 Implementation of Medical Waste Management expanded to 15 districts (new) (US\$2.5 million)

Component 4: Improving the Capacities in Technical Areas (US\$ 9.0 million)

Component 4 will continue to support selected needs-based analytical work and research, and innovative pilots to guide policy development. New interests from the GOPb include: filter clinics for large hospitals; roll-out of health care waste management in tertiary care hospitals; and, evaluation of ongoing programs to formulate policy options. Furthermore, this component will provide support to the newly bifurcated departments of health to enable proper functioning and strengthening of the fiduciary and oversight responsibilities through strengthening of procurement and financial management capacity. The analytical work will include use and quality of secondary care services, urban health care, and a performance review of tertiary care hospitals. This component will also support consultancy for capacity building and support for specific areas. Component 4 will be US\$8.0 million undisbursed that adds up to US\$9.0 million with the already disbursed amount of US\$1.0 million.

Component 5: Strengthening Nutrition Interventions (US\$37.82 million)

This component is being newly created to exclusively support the agreed nutrition related interventions to improve nutrition outcomes in Punjab. The nutrition interventions were designed under Component 1 at project approval aiming to scale up the provision of micronutrients and deworming, i.e., iron and folic acid supplements for pregnant women, vitamin A supplements for all children 6-59 months, and zinc supplements (with ORS) for the treatment of diarrhea, and expanding the delivery of behavior change communication, focusing on the prevention of malnutrition during pregnancy and in the first two years of life. With the DOH's program along with the LHWs training on nutrition supported by the DLI, DOH's capacity to delivery nutrition services at facility as well as community level has been improved. In addition, in 12 districts with the highest prevalence of acute malnutrition, therapeutic nutrition services are being delivered, including commodity support micronutrients and Ready-to-Use Therapeutic Foods.

The PHSRP will incentivize the P&SHD to ensure the provision of essential nutrition services for children aged under 24 months of age. The activities include the following through a phased approach by increasing number of districts covered: (i) universal screening and counseling in the target districts; (ii) expansion of the coverage to uncovered union councils in the districts; (iii) Outpatient Therapeutic Program extension; (iv) establishment of Stabilization Centers with functional referral linkages; (v) consolidation of existing fragmented trainings into a comprehensive nutrition training by level of service and clear policy directions from the government to all tiers on actions to be undertaken.

The Government has approved a Multi sectoral Nutrition Cell at the Planning Department which is being financed through the Annual Development Plan for FY 2016-17. This component will provide support to a set of multi-sectoral nutrition activities to focus on (i) hygiene and sanitation activities; (ii) ongoing projects with components of (a) Open Defecation Free villages; and (b) Pakistan Approach to Total Sanitation. The funds allocated to MSN shall be mainly utilized to provide technical capacity, evaluation, evidence generation, and coordination activities.

US\$35.82 million will be newly allocated to the interventions to be carried out by Department of Health in the Nutrition program and US\$2 million to the Multisectoral Nutrition Cell in Planning and Development Department.

Current Component Name	Proposed Component Name	Current Cost (US\$M)	Proposed Cost (US\$M)	Action
Component 1: Improving Health Service Delivery		28.34	31.58	Revised

Component 2: Enhancing Efficiency and effectiveness of the Health System		44.00	10.8	Revised
Component 3: Strengthening Provincial Department of Health management capacity		22.26	10.8	Revised
Component 4: Improving the Capacities in Technical Areas		26.50	9.00	Revised
	Component 5: Strengthening Nutrition Interventions		37.82	
	Total:	121.10	100.00	

Other Change(s)

Change in Institutional Arrangements

Explanation:

There is a change in the responsible entity and implementing agency. The DOH bifurcated to two departments: SHMED and PSHD and the Punjab Health Sector Reforms Program (PHSRP) was renamed as the PSPU. The project administration will be the responsibility of the PSHD and it will be implemented by the PSPU. There is no other change in institutional arrangements for the PHSRP. In addition, to facilitate the flow of funds, two new Designated Accounts will be opened; one at Multisectoral Nutrition Cell in the Planning and Development Department and the other in the Integrated program (IRMNCH) in the DOH.

Revamping of the Project Steering Committee with planning department taking the chair will enable better coordination between the two bifurcated Departments.

Change in Financial Management

Explanation:

While the FM arrangement remains the same for the DLI components (Components 1,2,3), the fund flow mechanism for the set of nutrition related interventions under Component 5 will be through two new Designated Accounts in the IRMNCH Program and the Multi Sectoral Nutrition Cell based on IFRs The funds flow for Component 4 has been the IFRs based, which remains unchanged

PSPU will have the overall responsibility to maintain an appropriate FM system for the project. At the same time, Multisector Nutrition Cell and Integrated Program for Maternal, Neonatal, Child Health and Nutrition will also have a financial management responsibility for the funds disbursed to them. Each of the new implementing entities will hire at least one Financial Management Specialist and one Accountant to maintain the financial management arrangements. Both entities will maintain detailed accounting records for the transactions executed from their respective designated accounts and on monthly basis will send PSPU a Statement of Expenditure and IFR. PSPU will prepare consolidated project level financial reports and will also coordinate the project external audit. All withdrawal applications under the credit will also be processed by the PSPU

Change in Procurement
<p>Explanation:</p> <p>While the procurement arrangement will remain the same, procurement activities under the Project will increase due to the new focus on the series of nutrition-related interventions under Component 3 and intensive TA to strengthen the procurement capacity for two departments under Component 4. There will now be two more implementing entities – IRMNCH Program and Multi Sectoral Nutrition Cell along with PSPU. The two new entities will setup their own procurement function. Since there will be significant procurement for Services and Goods therefore the new entities will hire well experienced Procurement Consultants to support their procurement and contract management functions. SOPs for Procurement, Contract and Complaint Management function are also to be prepared by the new entities, the Bank will review and agree on the SOPs. Disclosure of information on entities website for Procurement Plans (without estimated cost), Summary of Contract Awards, Complaint management system will have to be implemented. Capacity assessment for the new entities is in process. Till the time, both new entities have implemented the mitigation measures which will be proposed after completion of capacity assessment, PSPU will support the entities for the procurement function. IRMNCH Program has submitted a draft procurement plan, however the Procurement Plan for Multi sector Nutrition Cell in under preparation. PSPU will also revise their procurement plan and submit for Bank’s review. Consulting Services under the project will be procured as per the Bank’s Guidelines for Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers January 2011 Revised July 2014. Goods under the project will be procured as per the Bank’s Guidelines for Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credit & Grants by World Bank Borrowers January 2011 Revised July 2014. Other Methods of Procurement to be added in re-structuring: Framework Agreements, Procurement from United Nations Agencies.</p>
Change in Implementation Schedule
<p>Explanation:</p> <p>The implementation schedule will be modified due to the extension of the Closing Date for one year.</p>

Changes in Disbursement Arrangements

The following table summarizes the project’s revised disbursement arrangements agreed with the government as part of restructuring.

Table: Disbursement Arrangements – IDA Credit 52580

Disbursement categories	Amount of Financing Allocated (Expressed in SDR)	Re-Allocation	Revised Amount of Financing (Expressed in SDR)	Percentage of Expenditure to be Financed	Disbursement cycle	Disbursement condition
(1) Eligible Expenditure Program (“EEP”) under Parts 1, 2 and 3 of the Project, as described in paragraph 3(a) of Part B of this Section	11,340,000	(11,340,000)	-	-	-	-
(2) Eligible Expenditure	45,360,000	(10,094,000)	35,266,000	100%	Annual: Reimbursement	Achievement of DLI targets

Disbursement categories	Amount of Financing Allocated (Expressed in SDR)	Re-Allocation	Revised Amount of Financing (Expressed in SDR)	Percentage of Expenditure to be Financed	Disbursement cycle	Disbursement condition
Program (“EEP”) under Parts 1, 2 and 3 of the Project, as described in paragraph 3(b) of Part B of this Section					of eligible expenditure based on certification of DLIs achieved and expenditure reported in annual IFRs	
(3) Goods, non-consulting services, consultants’ services, Incremental Operating Costs, Training and Workshops Costs under Part 4.3 of the Project	700,000	(400,000)	300,000	100%	Semester: Advance to the Designated Account maintained by PSPU equivalent to 6 moths forecast.	None
(4) Performance Incentives under Part 4.1 of the Project	3,350,000	(3,350,000)	-	-	-	-
(5) Consultants’ services, Training and Workshops Costs, Incremental Operating Costs and Subsidies under Part 4.2 (i) of the Project	3,350,000	(3,350,000)	-	-	-	-
(6) Consultants’ services, Training and Workshops Costs, Incremental Operating Costs and Premium-subsidies under Part 4.2 (ii) of the Project	2,700,000	(2,700,000)	-	-	-	-
(7) Goods, Works, Consultants’ Services, Training and Workshops Costs and Incremental Operating Costs for: (a) Primary and Secondary Healthcare Department (PSPU) under	-	31,234,000	6,000,000	100%	Semester: Advance to the three Designated Accounts equivalent to 6 moths forecast	None

Disbursement categories	Amount of Financing Allocated (Expressed in SDR)	Re-Allocation	Revised Amount of Financing (Expressed in SDR)	Percentage of Expenditure to be Financed	Disbursement cycle	Disbursement condition
Parts 4 and 5 of the Project			23,890,000			
(b) Primary and Secondary Healthcare Department (IRMNCH) under Part 5 of the Project			1,344,000			
(c) Planning and Development Department (Multi-Sectoral Nutrition Cell) under Part 5 of the Project						
TOTAL	66,800,000	-	66,800,000			

For disbursements under disbursement category 7, two new designated accounts will be established at the National Bank of Pakistan. The Multisector Nutrition Cell will operate one account and the second will be operated by Integrated Program for Maternal, Neonatal, Child Health and Nutrition. PSPU will also draw funds under disbursement category 7 using its existing Designated Account.