

Public Disclosure Authorized

CONFORMED COPY

GRANT NUMBER TF096362-AF

Afghanistan Reconstruction Trust Fund Grant Agreement

(Strengthening Health Activities for the Rural Poor Project)

between

ISLAMIC REPUBLIC OF AFGHANISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
(acting as Administrator of the Afghanistan Reconstruction Trust Fund)

Dated April 11, 2010

GRANT NUMBER TF093962-AF

ARTF GRANT AGREEMENT

AGREEMENT dated April 11, 2010, between ISLAMIC REPUBLIC OF AFGHANISTAN (the “Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION acting as administrator (the “Administrator”) of grant funds (the “Grant Funds”) contributed by various donors (collectively the “Donors”) to the Afghanistan Reconstruction Trust Fund (“ARTF”), related to the IDA-financed Strengthening Health Activities for the Rural Poor Project (Grant No.H469-AF).

The Recipient and the Administrator hereby agree as follows:

**Article I
Standard Conditions; Definitions**

- 1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 1, 2008 (“Standard Conditions”), constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

**Article II
The Project**

- 2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement (the “Project”). To this end, the Recipient shall carry out the Project through MOPH in accordance with the provisions of Article II of the Standard Conditions.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the Administrator shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**Article III
The Grant**

- 3.01. The Administrator agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to twenty two million United States Dollars (\$22,000,000) (the “Grant”) to assist in financing Parts 1, 2 and 3 of the Project.

- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.
- 3.03. The Grant is funded out of the abovementioned trust fund for which the Administrator receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions, the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

Article IV
Recipient's Representative; Addresses

- 4.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Finance.
- 4.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance
Pashtunistan Watt
Kabul
Islamic Republic of Afghanistan

Facsimile:

93-20-210-3258

- 4.03. The Administrator's Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI) or
64145 (MCI)

1-202-477-6391

AGREED at Kabul, Islamic Republic of Afghanistan, as of the day and year first above written.

ISLAMIC REPUBLIC OF AFGHANISTAN

By /s/ Dr. Mohammed Omar Zakhilwal
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
(acting as Administrator of the Afghanistan
Reconstruction Trust Fund)

By /s/ Nicholas J. Krafft
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to contribute to improving the health and nutritional status of the people of Afghanistan, with a greater focus on women and children and under-served areas of the country, as set out in the Health and Nutrition Sector Strategy 2008-2013.

The Project consists of the following parts:

Part 1: Sustaining and Strengthening the Basic Package of Health Services

- (a) Carrying out a program to provide BPHS in select provinces of the Recipient through: (i) the provision of Sub-grants under PPAs between MOPH and implementing NGOs; and (ii) the provision of goods and consultants' services to provincial offices for MOPH direct delivery of BPHS.
- (b) Supporting the expansion of health facilities particularly sub-centers through, *inter alia*, the provision of training to additional community mid-wives and female community nurses.

Part 2: Strengthening the Delivery of the Essential Package of Hospital Services

- (a) Supporting the Recipient's policy dialogue to develop a systematic and coherent package of hospital policies that will ensure efficient use of resources and provision of priority services, especially for the poor, through the carrying out of an evaluation of the impact and lessons learnt from different approaches adopted for EPHS implementation in the past.
- (b) Supporting specific plans for EPHS expansion based on the outcome of the policy dialogue to be carried out under Part 2(a) above as well as on the availability of resources, including support to hospitals and hospital functions critical to reduce maternal and child mortality, with special emphasis on the poor.

Part 3: Strengthening MOPH Stewardship Functions

Strengthening capacity of MOPH's central and provincial health offices through, *inter alia*: (i) provision of consultants' services for the carrying out of procurement, monitoring and evaluation, health care financing, public relations and selected management functions; (ii) provision of equipment and training to improve communication within and among provincial, regional and central offices of MOPH; (iii) strengthening MOPH's capacity to carry out the monitoring and evaluation of BPHS and EPHS through contracting of a third

party evaluator; and (iv) carrying out of small civil works for the rehabilitation of HEFD offices.

Part 4: Results-Based Financing

Implementation of results-based financing pilots aimed at gauging the effectiveness of supply-side innovations including: (i) provision of performance-based payments to health care providers; (ii) testing innovations in the hospital sector aimed at strengthening performance; and (iii) carrying out an impact evaluation to assess and document the effects of the pilots.

SCHEDULE 2**Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements**

1. The Recipient shall vest responsibility for the implementation of the Project in MOPH. At the central level, the Executive Board of MOPH shall have overall responsibility for the oversight and supervision of the implementation of the Project. The Deputy Minister for Technical Affairs of MOPH shall have responsibility for the overall management of the Project and the coordination of its implementation.
2. The HEFD shall, throughout the period of Project implementation, have responsibility for the day-to-day fiduciary aspects of the Project including financial management, procurement of services, disbursement and audit functions. Procurement of goods shall be carried out by the MOPH administration department.
3. The Recipient shall maintain throughout the period of Project implementation, a PHCC within the provincial office of MOPH in each of the Provinces included in the Project, to ensure coordination of the implementation of the Project at the provincial level.
4. The Recipient through MOPH shall carry out the Project in accordance with the Financial Management Manual, and, except as the Administrator shall otherwise agree, the Recipient shall not amend or waive any provision of the Financial Management Manual if, in the opinion of the Administrator, such amendment or waiver may materially and adversely affect the implementation of the Project.

B. Environment and Social Safeguards

1. The Recipient shall carry out the Project in accordance with the Environmental and Social Safeguards Framework and the Environmental Management Plan.
2. Except as the Administrator shall otherwise agree, the Recipient shall not amend or waive any provision of the Environmental and Social Management Framework and the Environmental Management Plan if, in the opinion of the Administrator, such amendment or waiver may materially and adversely affect the implementation of the Project.
3. The Recipient shall ensure that activities financed under the Project shall not involve any land acquisition or involuntary resettlement of the local population

and/or businesses. In the event that any land is required for the Project or any resettlement is to be carried out, the Recipient shall, in consultation with the Administrator, ensure that such land shall be obtained and such resettlement carried out in accordance with plans agreed with the Administrator.

C. Sub-projects

1. When presenting a Sub-project to the Administrator for review and approval, the Recipient, through MOPH, shall furnish to the Administrator a draft PPA, in form and substance satisfactory to the Administrator, together with a description of the Sub-project, including a description of the expenditures proposed to be financed out of the proceeds of the Sub-grant, and such other information as the Administrator shall reasonably request.
2. Each Sub-grant shall be made by the Recipient, through MOPH, only:
 - (a) to an NGO which has been selected by MOPH in accordance with a competitive bidding process approved by the Administrator, provided that the NGO shall have established, to the satisfaction of MOPH and the Administrator, that it has the organization, management, staffing and other resources required for the efficient carrying out of the Sub-project, and has prepared an acceptable plan for the carrying out of said Sub-project; and
 - (b) for a Sub-project which: (i) is deemed by MOPH to be technically feasible and cost-effective; (ii) has been designed in accordance with appropriate health standards; and (iii) has been reviewed and approved by the Administrator.
3. Sub-grants shall be made on terms whereby MOPH shall obtain, through a PPA, rights adequate to protect the interests of the Administrator and the Recipient, including the right, as applicable, to:
 - (a) require the NGO to carry out and operate the Sub-project with due diligence and efficiency, in accordance with sound health care, technical, financial and managerial standards, and pursuant to the environmental, social and other principles, measures, procedures and guidelines set out in the Environmental and Social Safeguards Framework and the Environmental Management Plan;
 - (b) require the NGO to maintain policies, procedures and records adequate to enable the NGO to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Administrator, the carrying out of the Sub-project and the achievement of the objectives thereof;

- (c) require that: (i) the goods and services to be financed out of the proceeds of the Sub-grant shall be procured in accordance with the provisions of Section III of Schedule 2 to this Agreement; and (ii) such goods and services shall be used exclusively in the carrying out of the Sub-project;
- (d) require that the NGO shall insure or make adequate provision for the insurance of the goods financed out of the proceeds of the Sub-grant against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation;
- (e) obtain all such information as the Administrator and/or the Recipient shall reasonably request relating to the foregoing and to the benefits to be derived from the Sub-project;
- (f) inspect, by itself or jointly with representatives of the Administrator, if the Administrator shall so request, the goods and services financed under the Sub-project, the operation thereof, and any relevant records and documents related thereto; and
- (g) suspend or terminate the right of the NGO to use the proceeds of the Sub-grant upon failure by the NGO to perform its obligations under the PPA.

D. Performance-Based Payments

The Recipient shall carry out Part 4 of the Project in accordance with the provisions of the Financing Agreement and the Results-Based Financing Trust Fund Co-financing Agreement.

E. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall:
 - (a) monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators agreed with the Administrator as set out in the letter (Supplemental Letter on Performance Monitoring Indicators) from the Recipient dated

April 9, 2009. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Administrator not later than forty-five (45) days after the end of the period covered by such report;

- (b) on or about May 31, 2011, prepare a report, to constitute the basis upon which the mid-term review shall take place, integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (a) of this paragraph and consolidating the results of the reports referred to therein, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and
- (c) review with the Administrator, not later than two (2) months after submission of the report referred to in subparagraph (b) of this paragraph, or such later date as the Administrator shall reasonably request, the said report, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Administrator's views on the matter.

- 2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the Administrator not later than six (6) months after the Closing Date.

B. Financial Management, Financial Reports and Audits

- 1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 2.07 of the Standard Conditions.
- 2. The Recipient shall prepare and furnish to the Administrator not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Administrator.
- 3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Administrator not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Administrator of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method	
(a)	National Competitive Bidding*
(b)	Shopping
(c)	Direct Contracting

***National Competitive Bidding** procedures shall be subject to the following additional procedures:

- (i) Standard bidding documents approved by the Administrator shall be used.

- (ii) Invitations to bid shall be advertised in at least one (1) widely circulated national daily newspaper and bidding documents shall be made available to prospective bidders, at least twenty-eight (28) days prior to the deadline for the submission of bids.
- (iii) Bids shall not be invited on the basis of percentage premium or discount over the estimated cost.
- (iv) Bidding documents shall be made available, by mail or in person, to all who are willing to pay the required fee.
- (v) Foreign bidders shall not be precluded from bidding.
- (vi) Qualification criteria (in case pre-qualifications were not carried out) shall be stated on the bidding documents, and if a registration process is required, a foreign firm determined to be the lowest evaluated bidder shall be given reasonable opportunity of registering, without any hindrance.
- (vii) Bidders may deliver bids, at their option, either in person or by courier service or by mail.
- (viii) All bidders shall provide bid security or a bid security declaration form as indicated in the bidding documents. A bidder's bid security or the declaration form shall apply only to a specific bid.
- (ix) Bids shall be opened in public in one place preferably immediately, but no later than one hour, after the deadline for submission of bids.
- (x) Evaluation of bids shall be made in strict adherence to the criteria disclosed in the bidding documents, in a format, and within the specified period, agreed with the Administrator.
- (xi) Bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Administrator.
- (xii) Split award or lottery in award of contracts shall not be carried out. When two (2) or more bidders quote the same price, an investigation shall be made to determine any evidence of collusion, following which: (A) if collusion is determined, the parties involved shall be disqualified and the award shall then be made to the next lowest evaluated and qualified bidder; and (B) if no evidence of collusion can be confirmed, then fresh bids shall be invited after receiving the concurrence of the Administrator.

- (xiii) Contracts shall be awarded to the lowest evaluated bidders within the initial period of bid validity so that extensions are not necessary. Extension of bid validity may be sought only under exceptional circumstances.
- (xiv) Extension of bid validity shall not be allowed without the prior concurrence of the Administrator: (A) for the first request for extension if it is longer than four (4) weeks; and (B) for all subsequent requests for extensions irrespective of the period.
- (xv) Negotiations shall not be allowed with the lowest evaluated or any other bidders.
- (xvi) Re-bidding shall not be carried out without the Administrator’s prior concurrence.
- (xvii) All contractors or suppliers shall provide performance security as indicated in the contract documents. A contractor’s or a supplier’s performance security shall apply to a specific contract under which it was furnished.

C. Particular Methods of Procurement of Consultants’ Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method	
(a)	Quality-Based Selection
(b)	Single-Source Selection
(c)	Least-Cost Selection
(d)	Selection Based on the Consultants’ Qualifications
(e)	Selection under a Fixed Budget
(f)	Selection of Individual Consultants

D. Review by the Administrator of Procurement Decisions

Except as the Administrator shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Administrator: (a) each contract for goods estimated to cost the equivalent of \$200,000 or more; (b) each contract for works estimated to cost the equivalent of \$500,000 or more; (c) all contracts for goods or works procured on the basis of Direct Contracting and International Competitive Bidding regardless of value; (d) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more; (e) each contract for consultants' services provided by an individual estimated to cost the equivalent of \$50,000 or more; and (f) each contract for consultants' services procured on the basis of Single-Source Selection regardless of value. All other contracts shall be subject to Post Review by the Administrator.

Section IV. Withdrawal of the Proceeds of the Grant**A. General**

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of Article III of the Standard Conditions, this Section, and such additional instructions as the Administrator shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Administrator and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, consultants' services, training and Incremental Operating Costs* under Parts 1, 2 and 3 of the Project	22,000,000	100%
TOTAL AMOUNT	22,000,000	

*“Incremental Operating Costs” means the incremental expenses incurred on account of Project implementation and management, including the operation and maintenance of vehicles, office supplies, communication charges, insurance costs, office administration costs, banking charges, utility charges, rental charges, domestic/international travel and per diem allowances, but excluding salaries and top-ups of officials of the Recipient’s civil service.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed eight million United States Dollars (\$8,000,000) equivalent may be made for payments made prior to this date but on or after July 1, 2009, for Eligible Expenditures.
2. The Closing Date is September 30, 2013.

Section V. Other Undertakings

1. The Recipient shall ensure that HEFD is fully staffed with a director, a procurement specialist, a financial management specialist and a Results-Based Financing consultant, all with qualifications and experience acceptable to the Administrator, throughout the period of Project implementation.
2. The Recipient through MOPH shall ensure that annual Program performance reviews are carried out jointly with IDA and other relevant development partners.

APPENDIX

Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “BPHS” means Basic Package of Health Services which comprises preventive, promotive, basic curative and reproductive health services.
3. “Category” means the category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
5. “Environmental and Social Safeguards Framework” means the Recipient’s Environmental and Social Safeguards Framework which sets out, among other things: (i) key principles for social and environmental management of Sub-Projects (as hereinafter defined); (ii) procedures to screen and process Sub-Projects for significant social and environmental impacts, and to assist in mitigating impacts; (iii) procedures to ensure that these principles and procedures are properly applied; and (iv) guidelines for capacity building and monitoring.
6. “Environmental Management Plan” means the Recipient’s plan furnished to the International Development Association on February 7, 2003, and updated in a manner acceptable to the Administrator on July 23, 2009, as such plan may be amended from time to time by agreement of the Recipient and the Administrator, which sets out certain institutional, mitigation and monitoring measures to offset and/or reduce adverse environmental impacts associated with the implementation of the Project.
7. “EPHS” means Essential Package of Hospital Services.
8. “Financing Agreement” means the agreement entered into between the Recipient and the World Bank dated April 9, 2009 (IDA Grant No. H469-AF), pursuant to which the World Bank undertook to extend to the Recipient the IDA Grant to assist in financing the Strengthening Health Activities for the Rural Poor Project.
9. “Financial Management Manual” means the manual dated January 25, 2009 prepared and adopted by MOPH in form and substance acceptable to the Administrator, setting out the financial management arrangements and

procedures for the Project including the roles and responsibilities of all financial management staff, documentation and approval procedures for payments, reporting requirements and quality assurance measures, as such manual may be amended from time to time by agreement between the Recipient and the Administrator.

10. “HEFD” means the Health Economics and Financing Directorate of the MOPH or any successor thereto.
11. “MOPH” means the Recipient’s Ministry of Public Health or any successor thereto.
12. “NGO” means a non-governmental organization registered and operating under the laws of the Recipient.
13. “PHCC” means each of the Provincial Health Coordination Committees within MOPH.
14. “PPAs” mean performance-based partnership agreements for the provision of Sub-grants, entered into between MOPH and implementing NGOs in accordance with terms and conditions satisfactory to the Administrator, including those set forth in Section I.C(1) of Schedule 2 to this Agreement.
15. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
16. “Procurement Plan” means the Recipient’s procurement plan for the Project dated February 9, 2009 and updated subsequently on December 29, 2009, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
17. “Program” means the Health and Nutrition Sector Strategy 2008-2013 which sets out Government of Afghanistan’s program for the health sector over the period 2008-2013.
18. “Results-Based Financing Trust Fund” means the Multi-Donor Trust Fund for Health Results administered by the International Bank for Reconstruction and Development and the International Development Association from funds provided by the Kingdom of Norway and other potential donors.
19. “Results-Based Financing Trust Fund Co-financing Agreement” means the agreement dated December 20, 2009 between the Recipient and the

Administrator (acting as administrator of the Results-Based Financing Trust Fund) providing for the financing of Part 4 of the Project.

20. “Sub-grant” means a grant made or proposed to be made by MOPH to an NGO out of the proceeds of the Grant allocated to Part 1(a)(i) of the Project to finance the carrying out of a Sub-project.
21. “Sub-project” means a specific development project to be carried out by an NGO whose objective is to make the BPHS available to a segment of the rural population in a specific province of the Recipient, through existing health facilities, outreach activities and/or community-based interventions.