Mr. Safarali Nadjimiddinov  
Minister  
Ministry of Finance  
3 Akademikov Rajabovikh Street  
734025 Dushanbe  
Republic of Tajikistan

Re: Tajikistan: Grant for the Preparation of the Health Results-Based Financing Project (Grant No. TF010618)  
Amendment to the Grant Letter Agreement

Dear Mr. Nadjimiddinov:

We refer to the Grant Letter Agreement (the Agreement) between the Republic of Tajikistan (the “Recipient”) and the International Development Association (the “World Bank”), dated February 3, 2012 and countersigned on February 24, 2012. Since additional funds in the amount of US$450,000 have been approved to assist the Recipient in preparation and testing of the Health Results-Based Financing Project, the World Bank proposes to amend the Agreement as follows:

1. The amount referred to in the first paragraph of the Agreement is amended to read as US$850,000 (eight hundred, fifty thousand United States Dollars).

2. Section 1.02 Definitions is restated as follows:

“1.02 Definitions. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement, and the following additional terms have the following meanings:

“(a) “Eligible PHC Facilities” means PHC facilities participating in the Project by means of a PHC Performance Agreement.

(b) “MoH” means the Ministry of Health of the Recipient or any successor thereto.

(c) “PHC” means Primary Health Care, an essential health care based on practical, scientifically sound, and socially acceptable methods and technology, made universally accessible to individuals and families in the community through their full participation and at an affordable cost.

(d) “PHC Performance Agreement” means an agreement between an Eligible PHC Facility and MoH for the provision of RBF to the Eligible PHC Facility, as further defined in this Agreement and the Project Operational Manual.

(e) “Project Operational Manual” means a manual setting forth the operational and administrative responsibilities, procedures and rules for the implementation of the Project, consistent with the provisions of this Agreement and with the national laws and regulations of the Recipient, as
the same may be amended and supplemented from time to time with the World Bank’s prior written approval.

(f) "Results-Based Financing Manual" means a manual, satisfactory to the Association, which shall include the rules, methods, guidelines and procedures for the carrying out of the Results-Based Financing Scheme of the Project, including the following: (i) implementation arrangements at the central and district levels; (ii) flow of funds and provision of Performance-Based Incentives; (iii) results verifications and independent verification protocols; (iv) penalties and sanctions for over-reporting by Eligible PHC Facilities; (v) eligibility criteria for the selection of Eligible PHC Facilities; (vii) a model form of the PHC Performance Agreement, and (viii) the performance-based indicators.

(g) "RBF" means Results-Based Financing, the Recipient’s program for the payment of the reasonable costs of goods, salary incentives and services to Eligible PHC Facilities based on an evaluation of their performance under an agreed set of monitoring indicators.

(h) "RBF Coordination Group" means the MoH’s results-based financing unit responsible for the preparation, coordination and implementation of the Project and referred to in Section 2.03 of this Agreement.”

3. The Project Objectives and Description of the Project in Section 2.01 in the Annex to the Grant Agreement are restated as follows:

“2.01. Project Objectives and Description. The objective of the Project is to: (i) support the pre-piloting of a project that will contribute to the improvement of the coverage and quality of basic PHC services (particularly maternal and child health) in rural health facilities in Tajikistan; and (ii) strengthen the institutional capacity of Tajikistan’s health system to effectively deliver the services.

Part 1: Project Preparation Activities

Provision of goods, consultants’ services, training and incremental operating costs for the carrying out of Project preparation activities, including the following:

(a) designing activities for the Health Results-Based Financing Project;

(b) preparing performance-based contracts for Eligible PHC Facilities for RBF, and reviewing and analyzing existing health financing and management systems at the national and local levels as well as reviewing the efficacy of the legal and regulatory framework for the health sector and developing sound regulatory instruments to strengthen said framework;

(c) carrying out an assessment of existing health information and reporting systems, and designing a system to monitor and collect information on: (i) Project activities and results; (ii) amounts of performance-based payments received by Eligible PHC Facilities; and (iii) the use of said amounts by said facilities;

(d) carrying out an assessment of the supply side requirements for the implementation of RBF at Eligible PHC Facilities, covering also stakeholder analysis, assessment of the quality of PHC services, and identifying bottlenecks to the supply side for the utilization of PHC services;
(e) developing a Results-Based Financing Manual for the Health Results-Based Financing Project, and setting forth therein, *inter alia*, institutional arrangements, fiduciary, monitoring and evaluation, contractual arrangements, the description of RBF instruments and RBF procedures;

(f) strengthening the capacity of the rayon (district) and oblast (regional) administration and MoH in the administration of RBF in the Recipient’s health sector;

(g) employing the coordinator and key staff of the RBF Coordination Group as well as setting up the operation of the RBF Coordination Group;

(h) in Spitamen district in Sogd region, provision of RBF to Eligible PHC Facilities in project districts for carrying out of specific pre-agreed maternal, child health and primary health care services.

(i) provision of training to health services providers, recipient health staff, health center committees and other persons involved in the implementation, oversight or evaluation of the results-based financing scheme in the project districts;

(j) institutional strengthening of the project implementing entity to facilitate its implementation of the project through the provision of training, workshops, staff, office supplies and a vehicle, and financing of operating costs."

4. Article II, paragraph 2.03 *Institutional and Other Arrangements* is replaced in its entirety with the following:

"2.03. *Institutional and Other Arrangements.*

(a) The Recipient shall establish and maintain at all times during Project implementation an RBF Coordination Group with staffing, terms of reference, operating procedures and functions satisfactory to the World Bank, including *inter alia*, the following functions: (i) financial management; (ii) procurement, and (iii) disbursement.

(b) To facilitate the carrying out of Part 1(h) of the Project, the Recipient, through the RBF Coordination Group, shall:

(i) enter into a PHC Performance Agreement with each Eligible PHC Facility, under terms and conditions approved by the World Bank and elaborated in the RBF Manual, setting forth the technical, administrative and fiduciary aspects of their participation in the implementation and use of funds under Part 1(h) of the Project. Each PHC Performance Agreement shall include provisions whereby said Eligible PHC Facility shall be required to:

(A) carry out its activities under the PHC Performance Agreement with due diligence and efficiency and in accordance with sound public health, environmental and social and administrative standards and practices acceptable to the World Bank, in accordance with the RBF Manual;

(B) adhere to the Anti-Corruption Guidelines and the Project Operational Manual;

(C) procure the goods and services required in accordance with Section III of this Schedule;
(D) maintain adequate records to reflect, in accordance with sound accounting practices, the resources, operations and expenditures received pursuant to its PHC Performance Agreement and submit its financial statements to the Recipient; and

(E) enable the World Bank and the Recipient to inspect its facilities, operations and any records and documents relevant to the PHC Performance Agreement; and prepare and furnish to the World Bank and Recipient all such information as either shall reasonably request relating to the PHC Performance Agreement.

(ii) exercise its rights and carry out its obligations under each PHC Performance Agreement in such a manner as to protect the interests of the Recipient and the World Bank and to accomplish the purpose of the Grant and, except as the World Bank shall otherwise agree, the Recipient shall not sign, amend, abrogate, repeal, terminate, waive or fail to enforce any PHC Performance Agreement or any of its provisions."

5. Article III, paragraph 3.01 Eligible Expenditures is replaced in its entirety with the following:

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, Consultants’ Services, Training and Incremental Operating Costs</td>
<td>820,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) RBF under Part 1(h) of the Project</td>
<td>30,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>850,000</td>
<td></td>
</tr>
</tbody>
</table>

“For purposes of this paragraph, the following definitions shall apply:

(a) “Incremental Operating Costs” means the incremental expenses incurred on account of Project implementation and Grant fund administration, including office equipment and supplies, vehicle operation and maintenance, communication and insurance costs, office administration costs, bank charges, utilities, travel, per diem and supervision costs, but excluding salaries of the Recipient’s civil servants; and

(b) “Training” means expenditures, as approved by the World Bank, on the basis of budgets and plans prepared by the RBF Coordination Group, and revised annually, satisfactory to the World Bank, and incurred in connection with Project-related training, workshops, seminars, conferences, and study tours, including travel costs and per-diem allowances for the trainees and the trainers, rental of
training facilities, preparation and reproduction of training materials, and other training-related activities and expenditures as may be agreed with the World Bank from time to time.”

6. Article III, paragraph 3.02, is replaced in its entirety with the following:

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

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

(b) for RBF under Category 2 if: (i) the RBF Manual has not been finalized, deemed satisfactory by the World Bank, and adopted by the RBF Coordination Group, and (ii) a PHC Performance Agreement, satisfactory to the World Bank, does not exist for the Eligible PHC Facility receiving the payment.”

7. The Closing Date referred in Article III, paragraph 3.03 Withdrawal Period is amended to read: “December 31, 2014.”

All sections of the Agreement that have not been amended hereby shall remain unchanged and in full force and effect.

Please confirm your agreement with the foregoing by signing and dating the confirmation on the enclosed copy of this Amendment Letter and returning it to the Association. This Amendment Letter shall become effective upon the date of its countersignature.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Saroj Kumar Jha
Regional Director
Central Asia Region

AGREED:

REPUBLIC OF TAJIKISTAN

By:

Safarali Najmudinov
Minister of Finance
Date: June 21, 2013