OFFICIAL USE ONLY
IDA/R2016-0143/1

June 7, 2016

Closing Date: Friday, June 24, 2016 at 6 p.m.

FROM: Vice President and Corporate Secretary

Bangladesh - Health Sector Development Program

Additional Financing

Project Paper

Attached is the Project Paper regarding a proposed additional credit to Bangladesh for a Health Sector Development Program (IDA/R2016-0143), which is being processed on an absence-of-objection basis.

Distribution:
Executive Directors and Alternates
President
Bank Group Senior Management
Vice Presidents, Bank, IFC and MIGA
Directors and Department Heads, Bank, IFC and MIGA

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank Group authorization.

Document of
The World Bank

FOR OFFICIAL USE ONLY

Report No: PAD1383

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL CREDIT

IN THE AMOUNT OF SDR 105.90 MILLION
(US$150 MILLION EQUIVALENT)

TO THE

PEOPLE'S REPUBLIC OF BANGLADESH

FOR A

HEALTH SECTOR DEVELOPMENT PROGRAM

June 8, 2016

Health, Nutrition & Population Global Practice
South Asia Region

This document is being made publicly available prior to Board consideration. This does not imply a presumed outcome. This document may be updated following Board consideration and the updated document will be made publicly available in accordance with the Bank's policy on Access to Information.

CURRENCY EQUIVALENTS

(Exchange Rate Effective April 30, 2016)

Currency Unit = Bangladeshi Taka (BDT)
US$1 = BDT 78.00
SDR1 = US$ 1.41733000

FISCAL YEAR
July 1 – June 30

ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
BEC	Bid Evaluation Committee
CBHC	Community Based Health Care
CC	Community Clinics
CE	Citizen Engagement
CES	Coverage Evaluation Survey
CHT	Chittagong Hill Tracts
CMSD	Central Medical Stores Depot
CPR	Contraceptive Prevalence Rate
CPTU	Central Procurement Technical Unit
DAAR	Disbursement for Accelerated Achievement of Results
DFAT	Department of Foreign Affairs and Trade (Australia)
DFID	Department for International Development (United Kingdom)
DGDA	Directorate General of Drug Administration
DGFP	Directorate General of Family Planning
DGHS	Directorate General of Health Services
DHIS2	District Health Information System 2
DLI	Disbursement Linked Indicator
DLR	Disbursement Linked Result
DP	Development Partner
EC	European Commission
EDCL	Essential Drugs Company Limited
EEP	Eligible Expenditure Program
EKN	Embassy of the Kingdom of the Netherlands
EPI	Expanded Program on Immunization
FAPAD	Foreign Aided Project Audit Directorate
FM	Financial Management
FMAU	Financial Management and Audit Unit
FMIS	Financial Management Information System
FY	Fiscal Year
GAC	Global Affairs Canada

GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
GOB	Government of Bangladesh
GRS	Grievance Redress Service
HIV	Human Immunodeficiency Virus
HSM	Hospital Services Management
HPNSDP	Health, Population and Nutrition Sector Development Program
HSDP	Health Sector Development Program
iBAS	Integrated Budgeting and Accounting System
IDA	International Development Association
IFA	Integrated Fiduciary Assessment
IFR	Integrated Fiduciary Review
INT	Institutional Integrity Vice Presidency
IPF	Investment Project Financing
IUFR	Interim Unaudited Financial Reports
JDTAF	Joint Donor Technical Assistance Fund
KfW	Kreditanstalt für Wiederaufbau (Germany)
MCV	Measles Containing Vaccine
MDTF	Multi-Donor Trust Fund
MIS	Management Information Systems
MOF	Ministry of Finance
MOHFW	Ministry of Health and Family Welfare
MOPA	Ministry of Public Administration
MSH	Management Sciences for Health
MTR	Mid-Term Review
MWM	Medical Waste Management
NGO	Non-Governmental Organization
NTP	National Tuberculosis Program
OP	World Bank Operational Policy
PAD	Project Appraisal Document
PDO	Project Development Objective
PFM	Public Financial Management
PforR	Program for Results
PIP	Program Implementation Plan
RVP	Regional Vice President
SDR/XDR	Special Drawing Rights
SDTF	Single Donor Trust Fund
Sida	Swedish International Development Cooperation Agency
SIP	Strategic Investment plan
SWAp	Sector Wide Approach
SPEMP	Strengthening Public Expenditure Management Program
TB	Tuberculosis
TF	Trust Fund
TOR	Terms of Reference
UN	United Nations
UNFPA	United Nations Population Fund

UNICEF	United Nations Children's Fund
US$	United States Dollar
USAID	United States Agency for International Development
WB	World Bank
WHO	World Health Organization

Vice President:	Annette Dixon
Country Director:	Qimiao Fan
Senior Global Practice Director:	Timothy Grant Evans
Global Practice Director:	Olusoji O. Adeyi
Practice Manager:	Rekha Menon
Task Team Leader:	Bushra Binte Alam

BANGLADESH

HEALTH SECTOR DEVELOPMENT PROGRAM – ADDITIONAL FINANCING

CONTENTS

BANGLADESH HEALTH SECTOR DEVELOPMENT PROGRAM

ADDITIONAL FINANCING AND RESTRUCTURING DATASHEET (P151070)

SOUTH ASIA

GHN06

Parent Project ID:	P118708	Original EA Category:	B - Partial Assessment
Current Closing Date:	31-Dec-2016		

Basic Information – Additional Financing (AF)

Project ID:	P151070	Additional Financing Type (from AUS):	Cost Overrun
Regional Vice President:	Annette Dixon	Proposed EA Category:	B
Country Director:	Qimiao Fan	Expected Effectiveness Date:	03-Jul-2016
Senior Global Practice Director:	Timothy Grant Evans	Expected Closing Date:	30-Jun-2017
Practice Manager/Manager:	Rekha Menon	Report No:	PAD1383
Team Leader(s):	Bushra Binte Alam		

Borrower

Organization Name	Contact	Title	Telephone	Email
Economic Relations Division	Kazi Shofiqul Azam	Additional Secretary	+88029180675	addl-secy2@erd.gov.bd

Project Financing Data - Parent (Bangladesh - Health Sector Development Program-P118708) (in USD Million)

Key Dates

Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date
P118708	IDA-49540	Effective	26-May-2011	12-Sep-2011	23-Oct-2011	31-Dec-2016	31-Dec-2016
P118708	TF-11556	Effective	28-Mar-2012	28-Mar-2012	28-Mar-2012	31-Dec-2016	31-Dec-2016
P118708	TF-12281	Effective	12-Sep-2012	12-Sep-2012	12-Sep-2012	30-Jun-2016	31-Dec-2016

Disbursements

Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P118708	IDA-49540	Effective	USD	358.90	358.05	0.85	339.67	3.26	94.87
P118708	TF-11556	Effective	USD	324.21	323.5	0.71	287.67	35.84	88.92

P118708	TF-12281	Effective	USD	36.59	36.56	0.03	25.45	11.11	69.60

Project Financing Data - Additional Financing HSDP Additional Finance (P151070)(in USD Million)									
[ ] Loan [ ] Grant [ ] IDA Grant [X] Credit [ ] Guarantee [ ] Other									
Total Project Cost: 150.00					Total Bank Financing: 150.00				
Financing Gap: 0.00									
Financing Source – Additional Financing (AF)									**Amount**
BORROWER/RECIPIENT									0.00
International Development Association (IDA) (AF)									150.00
Total									150.00

Policy Waivers	
Does the project depart from the CAS in content or in other significant respects?	No
Explanation	
Does the project require any policy waiver(s)?	No
Explanation	

Team Composition

Bank Staff

Name	Role	Title	Specialization	Unit
Bushra Binte Alam	Team Leader (ADM Responsible)	Senior Health Specialist	Task Team Leader	GHN06
Ishtiak Siddique	Procurement Specialist	Senior Procurement Specialist	Procurement	GGO06
Suraiya Zannath	Financial Management Specialist	Lead Financial Management Specialist	Financial Management	GGO24
Dinesh M. Nair	Team Member	Senior Health Specialist	Public Health	GHNGE
Emiliana Gunawan	Team Member	Program Assistant	Logistics and Administration	GHN06
Hasib Ehsan Chowdhury	Team Member	Operations Analyst	Operations	GHN06
Hisham A. Abdo Kahin	Counsel	Lead Counsel	Legal Counsel	LEGES
Iffat Mahmud	Team Member	Operations Officer	Operations	GHN06
Naoko Ohno	Team Member	Operations Officer	Operations	GHN06
Nkosinathi Vusizihlobo Mbuya	Team Member	Senior Nutrition Specialist	Nutrition	GHN06

Sabah Moyeen	Safeguards Specialist	Senior Social Development Specialist	Social Development	GSU06
Satish Kumar Shivakumar	Team Member	Finance Officer	Loans and Disbursements	WFALN
Shahadat Hossain Chowdhury	Team Member	Program Assistant	Team support	SACBD
Shakil Ahmed	Team Member	Senior Economist (Health)	Health Economics	GHN06
Shakil Ahmed Ferdausi	Environmental Specialist	Senior Environmental Specialist	Environment	GEN06
Son Nam Nguyen	Team Member	Lead Health Specialist	Public Health	GHN01
Tanvir Ahmed	Team Member	Consultant	Environment	GEN06
Teen Kari Barua	Team Member	Consultant	Social Development	GSU06

Locations

Country	Administrative Division	Location	Planned	Actual	Comments
Bangladesh		Nationwide	x	x	Ongoing

Institutional Data

Parent (Bangladesh - Health Sector Development Program-P118708)

Practice Area (Lead)

Health, Nutrition & Population

Contributing Practice Areas - NA

Cross Cutting Topics

[ ] Climate Change

[ ] Fragile, Conflict & Violence

[ ] Gender

[ ] Jobs

[X] Public Private Partnership

Sectors / Climate Change

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Health and other social services	Health	90		
Public Administration, Law, and Justice	Public administration-Health	10		
Total		100		

Themes

Theme (Maximum 5 and total % must equal 100)

Major theme	Theme	%
Human development	Health system performance	40
Human development	Child health	20
Human development	Population and reproductive health	20
Human development	Nutrition and food security	20
Total		100

Additional Financing HSDP Additional Finance (P151070)

Practice Area (Lead)

Health, Nutrition & Population

Contributing Practice Areas

Cross Cutting Topics

[ ] Climate Change

[ ] Fragile, Conflict & Violence

[X] Gender

[ ] Jobs

[X] Public Private Partnership

Sectors / Climate Change

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Health and other social services	Health	100		

☒I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.

Themes

Theme (Maximum 5 and total % must equal 100)

Major theme	Theme	%
Human development	Health system performance	40
Human development	Child health	20
Human development	Nutrition and food security	20
Human development	Population and reproductive health	20
Total		100

Consultants (Will be disclosed in the Monthly Operational Summary)

Consultants Required? No consultants are required

I. Introduction

1. This Project Paper seeks the approval of the Executive Directors to provide an additional Credit in an amount of US$150 million equivalent for the Health Sector Development Program (HSDP) (P118708, IDA Cr. 4954-BD, TF011556, TF012281).

2. The HSDP finances a slice of Bangladesh's US$8.01 billion[1] Health Population and Nutrition Sector Development Program (HPNSDP) which is implemented using a Sector-Wide Approach (SWAp) with pooled financing and parallel support from Development Partners (DPs).

3. The HSDP's Project Development Objective (PDO) is to enable the Government of Bangladesh (GOB) to strengthen health systems and improve health services, particularly for the poor. As of April 30, 2016, the HSDP is co-financed by:

(a) an IDA Credit of US$358.05 million equivalent;

(b) a World Bank-managed Multi-Donor Trust Fund (MDTF) of US$323.5 million with contributions from Australia, Canada, Germany, the Netherlands, Sweden, the United Kingdom, and the United Nations Population Fund (UNFPA); and

(c) a World Bank-managed Single-Donor Trust Fund (SDTF) of US$36.56 million with contribution from the United States.

4. The Additional Financing (AF) aims to fill a financing gap in the last year of HPNSDP in order to meet its development objective. The financing gap is due to: (a) higher than planned disbursements linked to accelerated achievement of results; (b) exchange rate fluctuations; and, (c) lower levels of DP co-financing compared to their original commitments (see paragraph 15 for details).

5. This AF includes the following changes: (a) disbursement on the basis of results as measured by Disbursement Linked Indicators (DLIs), reimbursing against the Eligible Expenditure Programs (EEPs); (b) revision of the Results Framework; (c) modification of components and costs; (d) changing the financial management (FM) arrangements due to the introduction of DLIs; and (e) simplification of the procurement arrangements as the EEPs will not include procurable items. In addition, the Closing Date for the original IDA Credit will be extended by six months, from December 31, 2016 to June 30, 2017.

II. Background and Rationale for Additional Financing

The Sector Program and Its Progress

6. The HPNSDP is one of the largest health programs in the world. It is Bangladesh's third health sector program and builds on the implementation lessons of the first two sector programs (1998-2011). The SWAp, which is HPNSDP's implementing mechanism, has evolved over the years and has been providing an effective platform for DPs to engage with the GOB. Likewise, for the Bank, the SWAp has proven to be a valuable tool to: (a) conduct policy dialogue with the GOB; (b) support the sector; and (c) coordinate efforts with other DPs.

[1] See Annex F for the Sector Program Financing for the period of July 1, 2011 – December 31, 2016.

7. Over the first four fiscal years of the HPNSDP (FY2012 to FY2015), on average, the annual government budget allocated to the HPNSDP was US$1,247 million while its expenditure was US$1,157 million, with a high execution level of 93 percent against the allocated budget. Recurrent expenditures make up the bulk of government spending on the HPNSDP (82 percent). Salaries accounted for 39 percent (US$1,802 million) of the expenditure of the Ministry of Health and Family Welfare (MOHFW) for the first four years of the HPNSDP. In absolute terms, the total expenditure of the HPNSDP for the first four years is around US$5,920 million of which 78 percent came from the GOB and 22 percent from DPs. Annex F shows the HPNSDP financing for the period of July 1, 2011 – December 31, 2016.

8. The HPNSDP has made good progress in improving health outcomes which include: (a) reductions in infant and child mortality rates; (b) a sharp decline in maternal mortality ratio; and, (c) declining fertility rates. With regards to health services delivery, child immunization coverage has been sustained above 80 percent while antenatal care visits increased from 54.6 percent in 2010 to 63.9 percent in 2014. Deliveries by medically trained providers rose from 26 percent in 2010 to 42.1 percent in 2014. This increase in skilled birth attendance was predominantly due to a rise in facility-based deliveries, from 23.7 percent to 37.4 percent over the period.

9. Significant health challenges remain including the need to, among others: (a) sustain and improve the immunization coverage; (b) further improve institutional deliveries; and (c) address multi-drug resistant tuberculosis (TB). With regard to health systems strengthening, priority areas include improving, among others: (a) public financial management (PFM) to help Bangladesh get more value from its public spending on health; (b) accountability for results; and (c) health information system.

The Project and Its Progress

10. Consistent with the HPNSDP, the HSDP includes two components:

(a) Component 1: Improving Health Services (IDA financing of US$251.20 million) with two sub-components:
- Sub-component 1.A: Improving Health Programs, which supports the GOB's interventions to improve priority health services to accelerate the achievement of the health-related Millennium Development Goals; and
- Subcomponent 1.B: Improving Service Provision, which supports the GOB's interventions for strengthening the service delivery system.

(b) Component 2: Strengthening Health Systems (IDA financing US$107.70 million) which supports areas such as governance, stewardship, sector planning and management, fiduciary, health information system, health financing, and quality of care.

11. Being an integral part of the HPSNDP, the HSDP has been performing relatively well in the context of the overall progress of the health sector as discussed earlier and is expected to have contributed to such progress. Achievement of the PDO and implementation progress have been rated as Moderately Satisfactory in the last 12 months. The MOHFW has complied with all legal

covenants. Two of the three PDO indicators and two of the twelve intermediate indicators have achieved their end-of-project targets. Seven intermediate indicators are on track to be achieved. For the remaining two, more effort will be needed to achieve end-of-project targets (see Annex A).

Fiduciary Issues and Risk Rating

12. Bangladesh has encountered high governance-related risks in health sector activities. The Bank's Institutional Integrity Vice Presidency (INT) too has identified certain areas of high risk related to the HSDP, such as suboptimal competition, irregularities and inefficient use of project and program funds. Recognizing this, the Bank undertook an Integrated Fiduciary Assessment (IFA) of the Sector Program in close coordination with the DPs contributing to the pooled funds as part of due diligence for AF preparation. The IFA identified a number of systemic fiduciary challenges including: (a) lack of contract management guidelines which weakens monitoring; (b) suboptimal competition, irregularities and inefficient use of project and program funds; (c) weak capacity of the Financial Management and Audit Unit (FMAU) limits compliance with financial procedures and control; (d) absence of an asset management system which results in misuse of assets and waste; and (e) lack of an effective complaint handling system (summarized in Annex D) which provided a basis for an action plan (Annex E) to mitigate fiduciary risks under the AF. The action plan was prepared jointly by the MOHFW, the Bank and the DPs contributing to the pooled funds, and responds to all the key risk areas identified by the INT. The IFA action plan has been: (a) endorsed by the Heads of Agencies of the DPs contributing to the pooled funds and (b) counter-signed by the MOHFW. This indicates strong commitment from all partners to the IFA action plan that is currently under implementation. Key actions that have been implemented include: inclusion of international independent consultants in evaluations committees, approval of restructuring framework of FMAU by the MOHFW, and exclusion of local agents from eligibility to bid on HSDP-related procurement.

13. Additionally, the MOHFW has taken a number of initiatives to improve overall governance in the sector. These include: (a) disciplinary actions against officials involved with financial irregularities identified in external audit reports; (b) development of a Procurement and Supply Chain Portal to process approval of procurement plans, monitor processing of procurement packages, track distribution of assets, and monitor status of installed equipment; (c) development of Standard Table of Equipment for various tiers of facilities, identifying the medical equipment needed to deliver services at the facilities; and (d) expanding the Logistics Management Information System of the Directorate General of Family Planning (DGFP) to service delivery points to track uptake of various family planning commodities and forecast future requirements based on consumption.

14. The project's fiduciary risk rating has been changed to reflect the findings of the IFA and INT from Substantial to High. The overall risk rating of the project remains Substantial.

Rationale for the AF

15. On November 18, 2014, the Bank received a request from the Ministry of Finance (MOF) for an AF of US$226 million to fill a financing gap in the HPNSDP. This financing gap arose as a result of the following:

(a) Reductions in available funds under the HSDP of an amount of US$65 million for the last year of the HPNSDP compared to what was planned at appraisal due to the following:

i) **Performance based financing through disbursement for accelerated achievement of results**. Under the HSDP, a performance based financing mechanism was introduced for Disbursement for Accelerated Achievement of Results (DAAR). Here, each year, the MOHFW and the DPs contributing to the pooled funds agreed upon a set of results eligible for DAAR, covering priority areas such as maternal health, family planning, nutrition, human resources for health, budgeting and planning, and fiduciary management. Disbursement was made against complete or partial achievement of these results. In the first three years of the HSDP, US$25 million was provided to the MOHFW as DAAR payments, in addition to regular financing of the project. This additional funding was provided by front loading IDA allocations for the HSDP for year 5 of the project, thus resulting in a reduction of funds available for planned disbursement under IDA in year 5.

ii) **Exchange rate fluctuation**. A loss of approximately US$40 million has been incurred due to exchange rate fluctuations between the US dollars and Special Drawing Rights (SDR) between May 2011 and January 2016.

(b) **Changes in DP commitments**. In addition, at the Mid-term Review (MTR) of the HPNSDP in September 2014, analysis of resource availability for the remaining period of the Program revealed a shortage of US$160.73 million from committed parallel financing of DPs. This was due to: (a) double reporting of contributions by bilateral and United Nations agencies United Nations Children's Fund (UNICEF); (b) DP-supported projects not materializing (for example, European Commission (EC)); and (c) change of DP priorities due to change in their own government's priorities (for instance, Department of Foreign Affairs and Trade (DFAT), Australia). At the same time, some DPs have increased their commitments (such as Kreditanstalt für Wiederaufbau (KfW) and Embassy of the Kingdom of Netherlands (EKN)). Table 1 provides an overview of the changes in DP commitment.

Table 1: Changes in DP Commitment (US$ million)

Development Partner	Original Commitment	Revised Commitment	Difference
United Nations Children's Fund	130.00	46.36	(83.64)
European Commission	27.00	0.00	(27.00)
World Health Organization	75.00	21.93	(53.07)

Development Partner	Original Commitment	Revised Commitment	Difference
Embassy of the Kingdom of Netherlands	0.00	17.80	17.8
Department of Foreign Affairs and Trade (Australia)	36.00	7.47	(28.53)
Kreditanstalt für Wiederaufbau	30.00	46.71	16.71
Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ)	3.00	0.00	(3.00)
Total	301.00	140.27	(160.73)

16. Taking into account the absorption capacity of the MOHFW and the fact this is the last year of the HPNSDP, the Program's financing gap is estimated at US$150 million.

17. In addition to the financing gap rationale, the AF is also justified from two strategic points of view. First, there is a need to help the government improve the overall governance in the sector, including addressing the identified fiduciary challenges. Second, there is a need to sharpen the focus on results and pave the way for a future Program for Results (PforR) operation in health. The use of DLIs under the AF will serve the first purpose and help in transitioning to the PforR modality. Disbursements of the AF, therefore, will be contingent upon the achievements of:

(a) Results under Component 1 which correspond to key health service delivery priorities such as maintaining immunization rate, improving institutional deliveries, and strengthening the response to multi-drug resistant TB.
(b) Results under Component 2 which correspond to cross-cutting health systems strengthening priorities related to PFM, health information system, and health care waste management.

18. Extension of the Closing Date of the project will allow the GOB to achieve the service delivery improvements and systems reforms encompassed in the DLIs, thus contributing to meeting the development objectives.

19. The GOB is currently preparing a new sector program covering period 2017-21. In preparation to support this program, the Bank and other DPs are discussing a new level of engagement, which is both forward looking and ambitious. It will combine systematic policy dialogue and results-based engagement (building on the AF) focusing on equitable and efficient access to high quality health service delivery at district level and below, strengthening the government stewardship of the sector, and increased domestic resource mobilization.

III. Proposed Changes

Summary of Proposed Changes

The Project Development Objective (PDO) and the focus areas of the HSDP will remain unchanged. This AF includes the following changes: (a) disbursement on the basis of results as measured by

Disbursement Linked Indicators (DLIs), reimbursing against the Eligible Expenditure Programs (EEPs); (b) revision of the Results Framework; (c) modification of components and costs; (d) changing the financial management (FM) arrangements due to the introduction of DLIs; and (e) simplification of the procurement arrangements as the EEPs will not include procurable items. In addition, the Closing Date for the original IDA Credit will be extended by six months, from December 31, 2016 to June 30, 2017.	
Change in Implementing Agency	Yes [ ] No [X]
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 Credit Closing Date(s)	Yes [X] No [ ]
Cancellations Proposed	Yes [ ] No [X]
Change in Disbursement Arrangements	Yes [X] No [ ]
Reallocation between Disbursement Categories	Yes [ ] No [X]
Change in Disbursement Estimates	Yes [X] No [ ]
Change to Components and Cost	Yes [X] No [ ]
Change in Institutional Arrangements	Yes [ ] No [X]
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]

Development Objective/Results

Project's Development Objectives

Original PDO

To enable the GOB to strengthen health systems and improve health services, particularly for the poor.

Change in Results Framework

Explanation:

Two new indicators are added: (a) tuberculosis case notification rate for bacteriologically positive cases, and (b) maintenance of web-based complaint mechanism of MOHFW.

The end target for the PDO indicator 'coverage of modern contraceptives in low performing areas of Bangladesh' – Sylhet is revised to 42 percent and Chittagong to 48 percent from the original target of 50 percent.

The end target for the indicator 'coverage of measles immunization for children under 12 months of age' is revised to 86.1 percent from the original target of 90 percent.

The end target dates for all indicators are extended to June 30, 2017.

The revised Results Framework is attached in Annex A, with explanation of the changes.

Compliance

Covenants - Additional Financing (HSDP Additional Finance - P151070)

Source of Funds	Finance Agreement Reference	Description of Covenants	Date Due	Recurrent	Frequency	Action
IDA	Schedule 2, Section I.C.	The Project to be carried out in accordance with obligations under the Integrated Fiduciary Assessment Action Plan signed on September 6, 2015		Yes	Continuous	New

Conditions

Source Of Fund	Name	Type

Description of Condition

Risk

Risk Category	Rating (H, S, M, L)
1. Political and Governance	Substantial
2. Macroeconomic	Low
3. Sector Strategies and Policies	Low
4. Technical Design of Project or Program	Low

5. Institutional Capacity for Implementation and Sustainability	Moderate
6. Fiduciary	High
7. Environment and Social	Substantial
8. Stakeholders	Moderate
9. Other	
OVERALL	Substantial

Finance

Credit Closing Date - Additional Financing (HSDP Additional Finance - P151070)

Source of Funds	**Proposed Additional Financing Credit Closing Date**
International Development Association (IDA)	30-Jun-2017

Credit Closing Date(s) - Parent (Bangladesh - Health Sector Development Program - P118708)

Explanation:

The Closing Date of the original IDA Credit will be extended by 6 months from December 31, 2016, to June 30, 2017. This extension will provide sufficient time for the GOB to ensure that all project activities are completed.

Ln/Cr/TF	**Status**	**Original Closing Date**	**Current Closing Date**	**Proposed Closing Date**	**Previous Closing Date(s)**
IDA-49540	Effective	31-Dec-2016	31-Dec-2016	30-Jun-2017	
TF-11556	Effective	31-Dec-2016	31-Dec-2016		
TF-12281	Effective	30-Jun-2016	31-Dec-2016		

Change in Disbursement Arrangements

Explanation:

The AF will continue to support the implementation of the HPNSDP. The EEPs for the AF consist of salaries and allowances for existing officers and employees of the MOHFW in its annual recurrent budget under the GOB's economic codes (4500-Pay to Officers; 4600-Pay of Establishment; and 4700-Allowances). This economic code (4700) does not cover training allowances which are restricted by the Bank's Country Financing Parameters. These staff are responsible for implementation of the Program and critical to the achievement of its results. These EEPs therefore are relevant to the PDO and activities. It should be noted that these EEPs will not be supported by the undisbursed amounts of the original IDA Credit and the Bank-managed Trust Funds (MDTF and SDTF). Further, no part of these EEPs will be financed by other parallel financing donors or any trust funds. The total proceeds of the AF will finance salaries and allowances to the extent of the cumulative value of the DLIs. These EEPs are clearly identifiable in the government budget and the Chart of Accounts. A regular payroll audit is conducted by the Directorate of Civil Audit and audit objections or irregularities related to salaries are not significant.

In FY2015, salaries and allowances of the MOHFW's officers and employees amounted to US$528 million. The total cost of the EEPs for the AF period is estimated to be more than US$528 million as the salary scale of government employees has been increased. IDA is expected to finance US$150 million or 28.5 percent of this amount while the GOB will cover the rest. The impact of the project on Bangladesh's fiscal sustainability is acceptable as salaries and allowances of the MOHFW officers and employees have remained around 37 to 40 percent of the MOHFW budget in FY2012-15 (see Annex F) over the past four years which is acceptable compared to global standards.

Change in Disbursement Estimates (including All Sources of Financing)

Explanation:

Revised disbursement estimates for the project include the AF equivalent to US$150 million in FY2017, reflecting the six months extension of the original Closing Date.

Expected Disbursements (in USD Million)(including the original and AF IDA)

Fiscal Year	2012	2013	2014	2015	2016	2017				
Annual	95.31	76.73	92.74	64.64	10.25	150.00				
Cumulative	95.31	172.04	264.78	329.42	342.93	492.93				

Allocations - Additional Financing (HSDP Additional Finance - P151070)

Source of Fund	Currency	Category of Expenditure	Allocation	Disbursement % (Type Total)
			Proposed	Proposed
IDA	XDR	Eligible Expenditure Program of the project	105,900,000	100.00
		Total:		

Components

Change to Components and Costs

Explanation:

Under the AF, the original two components will remain; however, they are redesigned to enable disbursements to be made upon achievement of DLIs, as mentioned earlier. Based on the ongoing HSDP implementation, 15 priority actions have been identified as DLIs (see details in Annex B).

DLI status reports will be prepared by the MOHFW and submitted to IDA, which will be verified by the DPs contributing to the pooled funds. Once the results have been verified based on the protocols in Annex C and eligible expenditures have been reported in Interim Unaudited Financial Reports (IUFRs), disbursements will be made. Although the Financing Agreement provides flexibility of disbursement for partial achievement of DLIs, the understanding reached between the MOHFW and the Bank is that there will be no disbursement for partial achievement of DLIs, given the short implementation period. The aim is to ensure that agreed results are achieved and the financing continues to encourage the GOB to attain the agreed targets.

The AF consists of the following components:

Component 1: Improving Health Services (total estimated IDA financing US$40 million) - This component supports the implementation of the HPNSDP aimed at improving priority health, nutrition and population services through the achievement of the related DLIs and the financing of the EEPs.

The following DLIs have been selected, totaling US$40 million, focusing on critical areas where further progress is needed:

- **DLI#1 – Measles immunization rate:** The target is to maintain the percentage of children under the age of 12 months immunized against measles at 86.1 percent or above. Bangladesh has been showing a plateauing trend in immunizing children against measles from 87.5 percent in 2011 to 86.1 percent in 2014. The coverage rate for Measles Containing Vaccine (MCV) for Bangladesh is slightly above the average global MCV coverage rate of 85 percent (World Health Organization, 2014). Further increase from the current level of coverage to 90 percent (which is the end-project target of the original project) will be unlikely before project closing and may take more time and effort than anticipated. Therefore, maintaining the current MCV coverage rate of 86.1 percent will ensure that Bangladesh remains above the global average.

- **DLI#2 – Deliveries in public facilities:** The target is to increase the number of normal deliveries from 390,000 to 400,000 in public health facilities which include the District Hospitals, Maternal and Child Welfare Centers, Upazila (sub-district) Health Complexes, Union Health and Family Welfare Centers and Community Clinics (CCs). Normal deliveries exclude Caesarian sections and assisted deliveries. This rate has increased from 23.7 percent in 2010 to 37.4 percent in 2014 against the end-of-project target of 40 percent.

- **DLI#3 – Tuberculosis notification rate for bacteriologically positive cases**: The target is to increase this rate from 68 cases per 100,000 population to 69 cases per 100,000 population. The TB incidence rate has remained unchanged during the last decade, with the country ranking third in the world, with regard to prevalence despite having one of the highest TB case treatment success rates. Among key reasons for the continuation of TB propagation are: (a) unfavorable social determinants (high poverty rates, smoking, migration, rapid urbanization, inadequate occupational and prison health); (b) low case detection rates (only 53 percent of cases in the country are diagnosed); and (c) inadequate case notification and implementation of Directly Observed Treatment Short-Course strategy for patients who use private health care facilities.

Component 2: Strengthening Health Systems (total estimated IDA financing US$110 million) – This component will provide support for the implementation of the HPNSDP aimed at strengthening health systems through the achievement of the following DLIs and the financing of the EEPs, totaling US$110 million, focusing on critical areas where further progress is needed and on immediate actions included in the IFA action plan.

- **DLI#4** – **Performance of District Health Information System (DHIS2**): The target is to increase the number of functioning CCs submitting routine data to DHIS2 in a timely manner

till November 2016 by additional 20 from the baseline of January 2016. This collection of routine data will help monitoring service delivery at the grassroots level.

- **DLI#5 – Strategic Investment Plan (SIP) for the health sector for the next five years:** The target is dissemination of the SIP by the MOHFW. The SIP specifies strategic objectives of the Sector Program over a period of five years. The DPs make commitment to contribute to the health sector guided by the SIP.

- Two DLIs will support strengthening the implementation of Medical Waste Management (MWM): **DLI#6 – Standard Guidelines for MWM;** and **DLI#7 – MWM in District Hospitals.** DLI#6 aims to incentivize the preparation, approval and formal dissemination of the Guideline for MWM by Directorate General of Health Services (DGHS). DLI#7 aims to increase the number of district hospitals which have earmarked sites for temporary storage of medical waste from the baseline of 10 to 15 district hospitals. In 2014, as part of the MTR of the HSDP, a review of environmental management under the HPNSDP was conducted. It identified several challenges including: (a) the lack of norms and standards in MWM; and (b) lack of earmarked sites for medical waste storage in district hospitals. DLIs #6 and 7 aim to address these challenges.

DLIs #8–15 will support implementation of short-term priority actions included in the IFA action plan (see Annex E) that can be completed by June 30, 2017. Other fiduciary strengthening actions with medium term focus are planned to be supported by the follow-on operation of the Bank under the planned 2017–2021 Sector Program. Under the AF, DLIs #8-15 correspond to key risk areas identified by the IFA as follows:

DLI #8 addresses the key IFA risk area '*lack of contract management guidelines which weakens monitoring'*.

- **DLI#8 – Contract Management Guidelines for Bangladesh Health Sector**: The target is finalization and approval of the Contract Management Guidelines by the MOHFW. One of the challenges identified in the IFA was weak contract administration by procuring entities of the MOHFW as there are no guidelines for contract management. Hence, it was agreed that the MOHFW will finalize and approve Contract Management Guidelines to provide a basis for administering goods contracts signed by the procuring entities of the MOHFW. Once the guidelines are approved, core staff in the MOHFW in procurement will be trained.

DLIs #9 and 10 address key IFA risk area '*suboptimal competition, irregularities and inefficient use of project and program funds'*. In this risk area, several key mitigation measures were identified by the IFA action plan including: (i) restructuring of the Central Medical Stores Depot (CMSD); (ii) inclusion of independent consultants in bid evaluation committees (BEC) of the CMSD and the Directorate General of Family Planning (DGFP); (iii) exclusion of local agents from the eligibility to bid; (iv) determining eligibility of the Essential Drug Company Limited (EDCL) to bid; and (v) conducting comprehensive market survey of the pharmaceutical industry in Bangladesh (which is being carried out by the Bank).

- **DLI#9 – New institutional organogram of the CMSD:** The target is formal submission of the new organogram of the CMSD by the MOHFW to the Ministry of Public Administration (MOPA) for approval. The CMSD is a procuring entity for the DGHS and is responsible for procurement of goods including equipment, pharmaceuticals and medical supplies for the whole country. It was initially set up as a warehouse for the MOHFW. Over time, the CMSD's role has been extended to serve as a procuring entity in charge of supply and distribution of equipment, drugs and medical supplies across the country. An assessment was initiated in 2015 to ascertain the scope of services provided by the CMSD and recommend commensurate institutional arrangements in the CMSD to be able to perform as a procuring entity. Based on this assessment, the MOHFW will finalize and send a proposal to the MOPA for restructuring the CMSD. Upon MOPA approval, this will be forwarded to the MOF for endorsement. The MOF endorsement and the implementation of the new CMSD structure will be monitored under the next sector program 2017-2021.

- **DLI#10 – Strengthening of procurement procedures:** The target is to implement three actions in the IFA action plan: (a) including two independent consultants in the CMSD and the DGFP BECs; (b) limiting EDCL direct contracting for CC package to essential drugs they manufacture; and (c) excluding local agents from eligibility to bid in HSDP bidding documents. These three actions are applicable to the original credit. This indicator aims at strengthening the procurement process in the following ways. First, it will encourage robust and transparent bidding processes. Second, it will foster wider competition in procurement as the EDCL will not participate in competitive bidding processes for medicines it does not manufacture. The EDCL is a legally and financially autonomous pharmaceutical company operating under commercial law. The GOB owns 100 percent of the EDCL. To avoid potential conflict of interest, the participation of the EDCL is being limited to supply of essential drugs it manufactures, barring it from taking part in all other competitive bidding processes. Third, it will exclude local agents from eligibility to bid as a bidder in the bidding processes. A local agent is neither a bidder nor a supplier, and is not a party to the contract. The bidder may appoint a local agent to facilitate bidding process or execution of the contract.

DLIs #11 and 12 aim to address the key IFA risk area '*weak capacity of the Financial Management and Audit Unit (FMAU) limits compliance with financial procedures and control'*. In this risk area, two mitigation measures were identified by the IFA action plan: (a) restructuring FMAU to improve its fiduciary oversight capacity; and (b) outsourcing internal audit review to an external audit firm.

- **DLI#11 – Restructuring of the FMAU:** The FMAU was established within the MOHFW to provide fiduciary oversight. In its existing form, it is not able to perform its role fully due to shortages in skilled personnel as well as lack of a proper organogram. A new organogram of the FMAU was prepared by the MOHFW and sent to the MOPA for approval. The MOPA's queries on the proposal are yet to be responded to by the MOHFW. This DLI, therefore, aims to incentivize (i) the MOHFW's formal response to the MOPA's queries; and (ii) the MOPA's approval of the new organogram. The next sector program 2017-2021 will monitor the implementation of the FMAU restructuring plan.

- **DLI#12 – Internal audit of FY2014 of the MOHFW with a time-bound action plan:** Due to inadequate capacity at the FMAU, it was agreed with the MOHFW during the appraisal of

the original project that internal audit functions will be outsourced. An independent audit firm is conducting the internal audit of the MOHFW for FY2014. The audit report will be shared by the MOHFW with relevant stakeholders and on the basis of the audit findings, the MOHFW will develop a time-bound action plan to address any issues raised. This DLI aims to incentivize the MOHFW to: (a) share the FY2014 internal audit report with relevant stakeholders; and (b) formally adopt a time-bound action plan to address the key issues raised in the FY2014 internal audit report.

DLIs #13 and 14 aim to address the key IFA risk area '*absence of an asset management system which results in misuse of assets and waste*'. In this risk area, the mitigation measures identified by the IFA action plan include: (a) piloting of financial management information system; and (b) piloting the asset management system.

- **DLI#13 – Assessment of the MOHFW's accounting needs:** At present, there is a need for establishing an integrated financial management information system. The accounting needs assessment will pave the way for designing the system for the MOHFW. This DLI aims to incentivize the MOHFW to ensure the completion of this assessment. Based on the assessment, a computerized accounting and reporting system will be designed and piloted under the next sector program 2017-2021.

- **DLI#14 – Asset management pilot:** At present, it is difficult to track all the assets that are procured for and supplied to the public health facilities. This DLI incentivizes the completion of the asset management pilot in Moulvibazar District Hospital. The pilot is the first step towards developing a MOHFW asset management system to track high-end medical equipment and assets related to information technology. This system will be rolled out under the next sector program 2017-2021.

DLI #15 aims to address the key IFA risk area '*lack of an effective complaint handling system*'.

DLI#15 – MOHFW's web-based complaint mechanism: This DLI will help improve the overall transparency and accountability of the MOHFW and will also ensure citizen engagement in the HPNSDP. It incentivizes the maintenance of the web-based complaint mechanism by the DGHS.

In terms of costs, as noted earlier, this AF in addition to the original IDA credit (Cr. 4954-BD) and related trust funds (TF011556 and TF012281) for a total value of US$868.10 million, supports a slice of the US$8.01 billion (estimated) HPNSDP. Parallel financiers provide funds for a total value of US$878.90 million for the HPNSDP, while the remaining costs are borne by the Government (US$6,264 million; estimated) (see Annex F for the HPNSDP financing). The table below shows the current and proposed estimated IDA financing by component.

Current Component Name	**Proposed Component Name**	**Current estimated IDA contribution (US$M)**	**Proposed estimated IDA contribution (US$M)**	**Action**

Improving Health Services	Improving Health Services	251.20	291.20	Revised
Strengthening Health Systems	Strengthening Health Systems	106.85	216.85	Revised
	Total:	358.05	508.05	

Other Change(s)

Change in Financial Management

Explanation:

The proposed changes in FM under the AF include:

(i) the introduction of the DLI-based disbursement modality which reimburses against EEPs upon the achievement of set targets instead of input-based disbursement as is being done under the original Credit. The EEPs for the project consist of salaries and allowances of the officers and employees of the MOHFW in its annual recurrent budget under the GOB economic codes (4500–Pay to Officers; 4600–Pay of Establishment; and 4700–Allowances); and

(ii) retroactive financing up to US$60 million equivalent (40 percent of the IDA Credit) for past expenditures on salaries and allowances of the officers and employees of the MOHFW incurred on or after July 31, 2015 for EEPs. As provided in BP10.00, the Bank management has approved an exception to provide retroactive financing beyond 20 percent of the Credit amount.

These EEPs are clearly identifiable in the government budget and the Chart of Accounts. A regular payroll audit is conducted by the Directorate of Civil Audit and audit objections or irregularities related to salaries are not significant.

Due to the introduction of the DLI-based disbursement modality under the AF, there are changes in the fund flow mechanism as well as accounting and financial reporting. IDA will disburse funds to the Government Treasury taking into account the documentation of the defined EEPs in the Interim Unaudited Financial Reports (IUFRs) which will be prepared based on the GOB's Integrated Budgeting and Accounting System (iBAS). IUFRs will be prepared by the FMAU in coordination with the chief accounts officer of the MOHFW, validated by independent consultants as agreed in the IFA action plan and submitted to IDA 45 days after the end of each fiscal quarter. Likewise, annual financial statements will be audited by the Comptroller and Auditor General of the GOB, and submitted to IDA within six months after the end of the fiscal year. In addition, payroll audit conducted by the Directorate of Civil Audit will be used for verifying the EEPs. The report by the Directorate of Civil Audit will be shared with the Bank.

Other FM arrangements for the AF will follow the existing FM arrangements of HSDP, i.e., reliance on country systems for budget execution, accounting, internal controls, financial reporting and auditing. The overall FM risk for the AF is rated as High.

Under the AF, additional mitigation measures related to clearance of audit observations and validation of expenditure will be as follows. Regarding follow up of audit observations, the measures

agreed in the IFA action plan will be followed, i.e., the MOHFW will respond to the material audit observations identified by IDA within 6 months after the Bank's communication and the MOHFW will provide quarterly updates on the audits to the DPs. Additionally, an Integrated Fiduciary Review (IFR) will be carried out by an independent audit firm using forensic techniques which will include procurement, FM and technical audit to cover the period July 2015 to June 2016.

With the above action plan in place and the additional mitigation measures agreed with the MOHFW, the FM arrangements for the AF are considered adequate. There are no outstanding audit reports. Any material audit observation that arises will be resolved as per the agreement in the IFA action plan.

Change in Procurement

Explanation:

The AF will not finance any procurable items due to the introduction of the DLI-based disbursement modality which reimburses against EEPs that are limited to salaries and allowances of the MOHFW's officers and employees.

Procurement risk of the project is assessed and rated as High. The nature of procurement risks has changed over the last few years, from weak capacity in preparing documents to fraudulent behaviors of bidders. The main factors contributing to the high risk rating are capacity constraints of the procuring entities, delays in processing procurement packages, relatively high volume of bidders' complaints, and allegations of fraud and corruption. Based on the findings of the IFR of 2014, five contracts (with an approximate value of US$1.1 million) were declared as mis-procured due to bidders submitting false documents and the procuring entity not being able to ensure its due diligence in the procurement process. This amount was recovered by the Bank through substitute documentation.

The DLI modality (disbursing against EEPs which include salaries and allowances of the MOHFW officers and employees) has reduced the procurement-related risk under the AF. Moreover, the IFA action plan agreed with the MOHFW in September 2015 includes a number of measures to strengthen the procurement and contract management capacity of the MOHFW as well as to mitigate key fiduciary risks. Such priority areas in procurement are being addressed by a number of DLIs.

Change in Implementation Schedule

Explanation:

The implementation schedule is being extended by six months from December 31, 2016 to June 30, 2017.

IV. Appraisal Summary

Economic and Financial Analysis

Explanation:

The original Economic Analysis for the HPNSDP conducted at the appraisal of the HSDP remains applicable to the AF. The benefits of the program include productivity gains related to deaths averted and reduced morbidity. The cost of implementation of the HPNSDP was originally estimated to be US$8.01 billion spread over 5 years. On this basis, it was estimated that the program would yield a

net present value of benefits of US$13.8 billion over the ten-year period (using a discount rate of 10 percent), and an internal rate of return of 144 percent. The highly favorable rate of return calculated in the original Project Appraisal Document (PAD) would remain unchanged. For details, please refer to Annex 6A of the PAD of the original HSDP (Report No: 59979–BD).

Since the AF does not involve any entity that operates on a commercial basis or otherwise depends on cost recovery for sustainability, a financial analysis is not warranted.

The Government's involvement in the health sector, including provision and financing, is conventionally justified in terms of public and merit goods arguments, as well as equity goals. Market failures in health care and health financing demonstrate that Government interventions can raise welfare, particularly for the poor. By strengthening fiduciary risk management and environmental safeguards, the AF will enhance the capacity of the Government in dealing with these challenges. The AF will support improvement in medical waste management at public health facilities. Bangladesh ranks third among countries with a high burden of disease related to TB. Both TB incidence and mortality are higher among the population living in poorer socio-economic conditions. Therefore, investments in control of TB will gain significant economic benefits for the poor. Immunization and preventing infectious diseases have been established as highly cost-effective interventions in international literature.

Technical Analysis

Explanation:

No changes to the technical aspects of the HSDP are being proposed. The AF will be used for the continuation of support to the HPNSDP as defined in the operational plans, with strong focus on fiduciary risk mitigation activities and selected activities for service delivery. The existing implementation arrangements for the HSDP will be continued for the period of the AF.

Social Analysis

Explanation:

The project will be implemented nation-wide including the Chittagong Hill Tracts (CHT). Bangladesh’s population includes small ethnic and vulnerable communities (tribal people), who mostly live in the north-eastern and south-eastern regions, including a concentration of such groups in the CHT. The AF will continue to support the nationwide Expanded Program on Immunization (EPI) against measles immunization of children under 12 months (DLI#1), increasing normal deliveries at public health facilities (DLI#2), and increasing notification rate of bacteriologically positive TB cases (DLI#3). OP 4.10 Indigenous People will, therefore, remain triggered for the AF.

No new civil works packages will be initiated/funded under the AF. Therefore, no resettlement or displacement-inducing activities are anticipated under the AF. However OP 4.12 will remain triggered for the AF since the original project is still active. The original Social Management Framework, which included a Resettlement Policy Framework and a Tribal Peoples Framework have been updated for the purposes of the AF based on consultations with the client, local communities and the Bank’s review and findings. The updated social safeguards documents, therefore, include a Resettlement and Social Management Framework and a standalone Tribal Peoples Framework, with the requisite screening formats (disclosed in-country on May 15, 2016 and

to InfoShop on May 16, 2016).

A Gender Equity Strategy initially developed in 2001 by DFID was updated in 2015 with support from GIZ. The main objectives of the strategy are to ensure that the MOHFW policies, strategies, operational plans and other programs adhere to gender equity principles; ensure equitable access to and utilization of health services within a rights-based approach; ensure gender-sensitive human resources (service providers) in the health sector with appropriate skills development for health service providers to deliver gender sensitive, non-discriminatory services; and ensure gender mainstreaming in all programs with the MOHFW and other ministries. There is a Gender, Equity, Voice and Accountability Task Group under the HPNSDP to oversee progress of gender mainstreaming and gender related interventions in the Program.

Citizen Engagement

Under the AF, DLI#15 is about maintenance of a web-based complaint mechanism which registers complaints from end users. The majority of public hospitals have display boards that describe how to send complaints and suggestions related to services. Clients send messages to the mobile number mentioned on the display board. A web server receives the messages and makes them available instantly for public viewing. Responsible staff members check the complaints and undertake needful actions to resolve the problem and notify the complainant. The 'maintenance of the web-based complaint mechanism of MOHFW' will be used as a Beneficiary Feedback indicator.

Environmental Analysis

Explanation:

The environmental category of the project will remain the same, i.e., Category B. Based on the environmental review and assessment carried out on the project, an Environmental action plan has been updated for the AF (disclosed on October 14, 2015) on the basis of the original Environmental Assessment and action plan for the HPNSDP which was prepared by the MOHFW in 2011. This plan, which still remains valid, will strengthen medical waste management practices and improve environmental screening and monitoring. The Climate and Disaster Risk Screening was done on January 22, 2015, and no major issues surfaced.

As stated earlier, there are challenges and weaknesses in MWM in public health facilities. The DGHS has initiated steps to improve adherence to environmental guidelines. In particular, it has revised its screening and monitoring protocol that will be used for safeguard compliance. Also, two environmental consultants have been appointed in June 2015 to oversee environmental safeguard activities with a special focus on improvement of MWM. It is expected that with the addition of relevant expertise to oversee environmental safeguard activities, the institutional capacity of the MOHFW will be strengthened.

Risk

Explanation:

Based on the IFA, the fiduciary risk rating is assessed as High. Several mitigation measures have been put in place including: strong emphasis on and concrete actions to reduce fiduciary risks in the design of the AF; and strong commitments to the joint implementation of the IFA action plan by the DPs and the Government. With implementation of the DLIs relating to strengthening fiduciary

aspects of the project, the key risks will be mitigated. While the DLI approach with its results focus has potentially lower risk as no procurable items will be financed under the AF, the overall risk rating of the project has been maintained as Substantial.

V. World Bank Grievance Redress

Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit http://www.worldbank.org/GRS. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

ANNEX A: RESULTS FRAMEWORK

Project Name:	HSDP Additional Finance (P151070)	Project Stage:	Additional Financing	Status:	DRAFT
Team Leader(s):	Bushra Binte Alam	Requesting Unit:	SACBD	Created by:	Iffat Mahmud on 26-Feb-2015
Product Line:	IBRD/IDA	Responsible Unit:	GHN06	Modified by:	Iffat Mahmud on 13-May-2016

Country:	Bangladesh	Approval FY:	2016
Region:	SOUTH ASIA	Lending Instrument:	Investment Project Financing
Parent Project ID:	P118708	Parent Project Name:	Bangladesh - Health Sector Development Program (P118708)

Project Development Objectives

Original Project Development Objective - Parent:

To enable the Government of Bangladesh to strengthen health systems and improve health services, particularly for the poor.

Proposed Project Development Objective - Additional Financing (AF):

To enable the Government of Bangladesh to strengthen health systems and improve health services, particularly for the poor.

Results

Core sector indicators are considered: Yes

Results reporting level: Project Level

Project Development Objective Indicators

Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
Revised	Coverage of modern contraceptives in low performing areas of Bangladesh -- Sylhet	☐	Percentage	Value	35.70	41.00	42.00[1]
				Date	31-Dec-2010	08-Feb-2016	30-Jun-2017
				Comment			See Note 1.

Revised	Coverage of modern contraceptives in low performing areas of Bangladesh -- Chittagong	☐	Percentage	Value	46.80	47.00	48.00[1]
				Date	31-Dec-2010	08-Feb-2016	30-Jun-2017
				Comment			See Note 1.
Revised	Proportion of delivery by skilled birth attendant among the lowest two wealth quintile groups	☐	Percentage	Value	11.50	23.00	15.00
				Date	31-Dec-2010	08-Feb-2016	30-Jun-2017
				Comment			Achieved
Revised	Prevalence of underweight among children under 5 years of age among the lowest two wealth quintile groups	☐	Percentage	Value	48.30	41.60	43.30
				Date	31-Dec-2007	08-Feb-2016	30-Jun-2017
				Comment			Achieved
Intermediate Results Indicators							
Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
New	MOHFW's web-based complaint mechanism	☐	Text	Value	Web-based complaint mechanism established	Web-based complaint mechanism established	Web-based complaint mechanism maintained by DGHS
				Date	10-Apr-2016	10-Apr-2016	30-Jun-2017
				Comment			
New	Tuberculosis case notification rate for bacteriologically positive cases	☐	Number	Value	68.00	68.00	69.00
				Date	10-Apr-2016	10-Apr-2016	30-Jun-2017
				Comment	68 cases per 100,000 population	68 cases per 100,000 population	69 cases per 100,000 population
Revised	Proportion of physician positions vacant at upazila/district level and below	☐	Percentage	Value	45.70	29.90	22.80
				Date	31-Dec-2009	04-Aug-2015	30-Jun-2017
				Comment			On track
Revised			Percentage	Value	24.70	12.80	15.00

	Proportion of nurse positions vacant at upazila/district level and below	☐		Date	31-Dec-2009	04-Aug-2015	30-Jun-2017
				Comment			On track
Revised	Proportion of births in health facilities	☐	Percentage	Value	23.70	37.40	40.00
				Date	31-Dec-2010	08-Feb-2016	30-Jun-2017
				Comment			On track. DLI#2 aims to increase the number of normal deliveries
Revised	Number of functional Community Clinics	☐	Number	Value	10323.00	13194.00	13500.00
				Date	31-Jan-2011	08-Feb-2016	30-Jun-2017
				Comment			On track
Revised	Coverage of Measles Immunization for children under 12 months of age	☐	Percentage	Value	82.40	86.10	86.10
				Date	31-Dec-2009	08-Feb-2016	30-Jun-2017
				Comment		Source: Bangladesh Demographic Health Survey	DLI#1 aims at maintaining the current level. See Note 2.
Revised	Proportion of infants exclusively breastfed up to 6 months of age	☐	Percentage	Value	43.00	55.30	50.00
				Date	31-Dec-2007	08-Feb-2016	30-Jun-2017
				Comment			Achieved
Revised	Proportion of postnatal care for women within 48 hours (at least 1 visit)	☐	Percentage	Value	20.90	33.90	50.00
				Date	31-Dec-2010	08-Feb-2016	30-Jun-2017
				Comment			On track. With increase in the number of normal deliveries,

							postnatal care is expected to increase. See Note 3.
Revised	Proportion of annual work plans with budgets submitted by LDs by defined time period (July/Aug)	☐	Percentage	Value		90.00	100.00
				Date		04-Aug-2015	30-Jun-2017
				Comment			On track
Revised	Proportion of health facilities, by type, without stock-outs of essential medicines	☐	Percentage	Value	66.10	73.60	75.00
				Date	31-Dec-2009	04-Aug-2015	30-Jun-2017
				Comment			On track
Revised	Proportion of serious audit objections settled within the last 12 months	☐	Percentage	Value	7.00	68.00	80.00
				Date	31-Dec-2009	04-Aug-2015	30-Jun-2017
				Comment			On track
Revised	Proportion of Operational Plans with expenditure > 80% of ADP allocation (annually)	☐	Percentage	Value	44.70	69.00	100.00
				Date	31-Jan-2011	04-Aug-2015	30-Jun-2017
				Comment			On track
Revised	Health personnel receiving training (number)	☒	Number	Value	59.00	852215	810000
				Date		04-Aug-2015	30-Jun-2017
				Comment			Achieved
No Change	Births (deliveries) attended by skilled health personnel (number)	☒	Number	Value		206458.00	
				Date		08-Feb-2016	30-Jun-2017
				Comment			See Note 4.
Revised	Number of additional service providers trained in midwifery at district and upazila health facilities	☐	Number	Value	0.00	1487.00	3000.00
				Date	01-May-2011	08-Feb-2016	30-Jun-2017
				Comment			
No Change				Value		3719011.00	

				Date		08-Feb-2016	
				Comment			
No Change	Children immunized - under 12 months against DTP3 (number)	☒	Number	Value		3670254.00	See Note 5.
			Sub Type	Date		08-Feb-2016	
			Breakdown	Comment			
No Change	Children immunized - under 5 years against Polio (number)	☒				20488480.00	See Note 5.
			Children immunized (number)	☒	Number	08-Feb-2016	
			Breakdown	Comment			

Notes:

1: There are two reasons for the slow progress in this indicator, which are beyond Project implementation: (i) in the last 10 years, the use of modern contraceptives increased significantly up to 12% points in Chittagong, and it is highly likely that the rate of utilization has reached its peak and that the rates are now plateauing; (ii) Total Fertility Rate in the country has declined which strongly influences the desire of families for the use of contraception. Hence the targets are being revised.

2: Bangladesh with an MCV of 86.1% in 2014 is above the average global MCV coverage rate. Further increase from current level of coverage to 90% (which is the end-of-project target) will be very difficult and may take more time and efforts than anticipated. Therefore, maintaining at least the level of 86.1% will still represent achievement and is in line with the global standards.

3: The end-of-project target for the intermediate indicator “Proportion of post-natal care (at least 1 visit) within 48 hours” has also been influenced by demographic changes and especially in reduction of total fertility rates. Facility-based delivery rates are still very low – only 37.4% in 2014. Still, this presents an increase by 13% since 2010 which is equivalent to an increase of one third. This is also followed by a positive increase in achieving post neonatal visits in the first 48 hours from 20.9% in 2010 to 33.90 in 2014. Target of 50% post-natal care achieved will require much more time and effort.

4: This is a core indicator, added after Board approval of the Project. This indicator is calculated based on the percentage reported under the relevant PDO indicator. This was done to comply with internal Bank requirements.

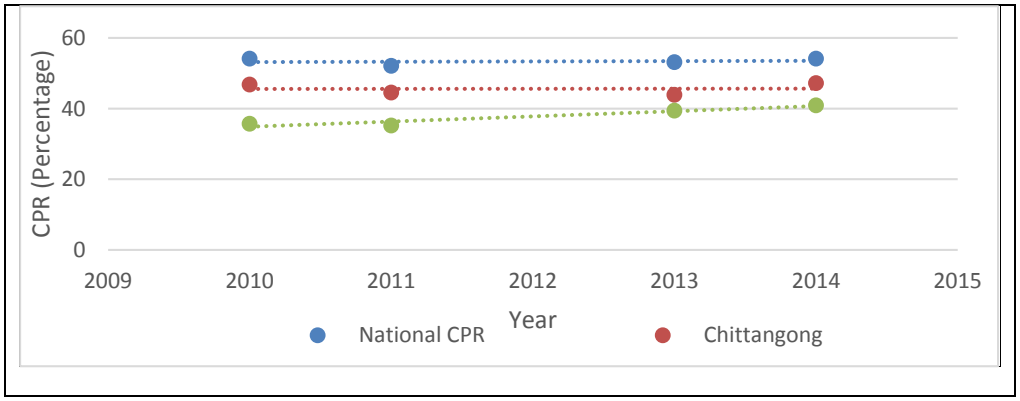
5: These are core indicators, added after Board approval of the Project. The indicators are calculated based on the percentages reported under the relevant intermediate results indicator. This was done to comply with internal Bank requirements.

The Government has revised the target for some of the indicators of the Sector Program. This includes a change in the target for one of the PDO-level indicators as shown below:

Coverage of modern contraceptives in low performing areas of Bangladesh: **Sylhet**	Value	35.70	41.00	42.00	40.00
	Date	31-Dec-2010	08-Feb-2016	31-Dec-2016	31-Dec-2016
	Comment	Baseline	Current Value	HSDP revised target	GOB revised target
Chittagong	Value	46.80	47.00	48.00	45.00
	Date	31-Dec-2010	08-Feb-2016	31-Dec-2016	31-Dec-2016
	Comment	Baseline	Current Value	HSDP revised target	GOB revised target

The graph below shows the changes in CPR over time in Chittagong and Sylhet. The CPR for Chittagong and Sylhet have remained below the national average. Although there is an increasing trend in Sylhet, the trend line for Chittagong is constant. Nationally, there are variations in the CPR – the western region fares better than the eastern region (which includes Chittagong and Sylhet). The western region in Bangladesh has reached replacement-level fertility rate. However, due to the slow progress in the eastern part, the national average for CPR remains constant. The HSDP targets for CPR in Chittagong and Sylhet are revised to 48% and 42% respectively.

Figure 1.A: Changes in CPR over time in Chittagong and Sylhet.



ANNEX B: DISBURSEMENT LINKED INDICATORS (DLIs)

Disbursement Linked Indicators (DLIs)	**Disbursement Linked Results (DLRs) Definition / Baseline and Target**	**DLR value**
DLI 1: Measles immunization rate	**DLR 1:** Percentage of children under the age of 12 months immunized against measles. (Baseline: 86.1%, Target: maintained at 86.1% or above)	US$10,000,000
DLI 2: Deliveries in public facilities	**DLR 2:** Number of normal deliveries in public health facilities which include the District Hospitals, Maternal and Child Welfare Centers, Upazila (sub-district) Health Complexes, Union Health and Family Welfare Centers and Community Clinics. (Baseline: 390,000, Target: 400,000)	US$10,000,000
DLI 3: Tuberculosis (TB) notification rate for bacteriologically positive cases	**DLR 3:** Number of bacteriologically positive TB cases which are notified per 100 000 population in the period January to September 2016. (Baseline: 68 cases per 100,000, Target: 69 cases per 100,000)	US$20,000,000
DLI 4: Performance of District Health Information System (DHIS2)	**DLR 4:** (a) Establishment of the baseline value for the number of Community Clinics (CCs) submitting routine data in a timely manner to DHIS2; and (b) Number of CCs submitting routine data to DHIS2 in a timely manner until November 2016. (Baseline: to be established, Target: increase by additional 20 CCs submitting routine data in a timely manner to DHIS2 in November 2016 over baseline)	(a) US$5,000,000; and (b) US$5,000,000
DLI 5: Strategic Investment Plan (SIP) for the health sector for the next five years	**DLR 5:** SIP finalized and disseminated by MOHFW. (Baseline: SIP being drafted, Target: SIP finalized and disseminated by MOHFW)	US$20,000,000

Disbursement Linked Indicators (DLIs)	Disbursement Linked Results (DLRs) Definition / Baseline and Target	DLR value
DLI 6: Standard Guidelines for Medical Waste Management (MWM)	**DLR 6:** Formal dissemination of the approved Guidelines for Medical Waste Management (MWM) by Directorate General of Health Services (DGHS). (Baseline: Guidelines for MWM being drafted)	US$20,000,000
DLI 7: Medical waste management in district hospitals	**DLR 7:** Number of district hospitals which have earmarked sites for temporary storage of medical waste. (Baseline: 10, Target: 15)	US$3,000,000
DLI 8: Contract Management Guidelines for Bangladesh Health Sector	**DLR 8:** Guidelines for Contract Management for the Health Sector finalized and approved by MOHFW. (Baseline: No guidelines available)	US$5,000,000
DLI 9: New institutional organogram of the Central Medical Stores Depot (CMSD)	**DLR 9:** MOHFW formal submission of the new organogram of the CMSD to the Ministry of Public Administration (MOPA) for approval (Baseline: Assessment being conducted for new organogram)	US$5,000,000
DLI 10: Strengthening of procurement procedures	**DLR 10:** MOHFW implementation of three actions in the Integrated Fiduciary Assessment (IFA) action plan (a) inclusion of two independent consultants in the CMSD and DGFP Bid Evaluation Committees; (b) limitation of EDCL direct contracting for Community Clinic package to essential drugs they manufacture; and, (c) exclusion of local agents from eligibility in HSDP bidding documents. (Baseline : Three actions for strengthening procurement identified)	US$15,000,000
DLI 11: Restructuring of the Financial Management and Audit Unit (FMAU)	**DLR 11:** (a) MOHFW's formal response to MOPA's queries on	(a) US$5,000,000; and

Disbursement Linked Indicators (DLIs)	Disbursement Linked Results (DLRs) Definition / Baseline and Target	DLR value
	FMAU restructuring proposal; and (b) MOPA's approval of FMAU restructuring proposal. (Baseline: Restructuring proposal finalized by MOHFW)	(b) US$5,000,000
DLI 12: FY2014 Internal Audit of MOHFW with a time bound action plan	**DLR 12:** (a) MOHFW sharing of the FY2014 internal audit report with relevant stakeholders; and (b) MOHFW formal adoption of a time-bound action plan to address the key issues raised in the FY2014 internal audit report. (Baseline: MOHFW internal audit ongoing) (Target: (a) MOHFW internal audit shared with relevant stakeholders; (b) the internal audit action plan adopted by MOHFW)	(a) US$3,000,000; and (b) US$4, 000,000
DLI 13: Assessment of MOHFW's accounting needs	**DLR 13:** Completion of the assessment of MOHFW's accounting needs by independent consultant(s). (Baseline: Assessment not done)	US$5,000,000
DLI 14: Asset management pilot	**DLR 14:** Completion of the asset management pilot in Moulvibazar District Hospital. (Baseline: Pilot of asset management system being designed)	US$5,000,000
DLI 15: MOHFW's web-based complaint mechanism	**DLR 15:** Web-based complaint mechanism maintained by DGHS in the 5 months (July - November 2016). (Baseline: Web-based complaint mechanism established)	US$5,000,000

ANNEX C: PROTOCOLS FOR DISBURSEMENT LINKED INDICATORS (DLIs)

Component 1: Service Delivery

DLI 1	Detail
Indicator	**Measles immunization rate**
Compliance Condition	Through the routine Expanded Program on Immunization (EPI), children under 12 months will be immunized against measles. Baseline data of 86.1% is from 2014 and this level of immunization will be maintained. 2015 data for the indicator will be reported from Coverage Evaluation Survey (CES).
Data source	DLI Status Report will capture information from CES to report on the achievement between January and December 2015. CES report for January to December 2015 will be available in June 2016.
Verification procedure	As the 2015 CES was conducted by the Center for Social and Market Research (a non-governmental organization, NGO) and funded by UNICEF with technical support by UNICEF and WHO, its results are deemed to be independent and require no verification.
DLI Milestones	Proportion of children immunized against measles at least maintained at 86.1%
Responsible Department	DGHS-EPI

DLI 2	Detail
Indicator	**Deliveries in public health facilities**
Compliance Condition	The Directorate General of Health Services (DGHS) and the Directorate General of Family Planning (DGFP) will ensure the required inputs are provided for increasing normal deliveries at public health facilities. These facilities will include district hospitals, Upazila (sub-district) health complexes, maternal and child welfare centers, union health and family welfare centers and community clinics. Normal deliveries exclude caesarian sections and other assisted deliveries. The baseline data will be for the period January to November 2015. The increase in the number of normal deliveries will be monitored for the period January to November 2016. Patient register will be maintained by the facilities and data will be compiled by MIS-DGHS/DGFP. The patient registers will be used for data verification.
Data source	MIS-DGHS/DGFP. DLI Status Report will include information on the achievement of this DLI at: (i) the national level and (ii) division level
Verification procedure	A team comprising DPs and independent technical experts will review the MIS data from a subset of random divisions to check accuracy of data reported by MIS-DGHS/DGFP.
DLI Milestones	The number of normal deliveries conducted at District Hospitals, Maternal and Child Welfare Centers, Upazila Health Complexes, Union Health and Family Welfare Centers and Community Clinics increased to 400,000.
Responsible Department	DGHS and DGFP

DLI 3	Detail
Indicator	**Tuberculosis (TB) notification rate for bacteriologically positive cases**
Compliance Condition	Notification rate of **bacteriologically positive cases** means the number of new and relapse TB cases confirmed by smear microscopy, culture or WHO-approved

DLI 3	Detail
	rapid diagnostics (such as Xpert/multi-drug resistant TB, Mycobacterium Tuberculosis) which are reported per 100,000. A team of DPs and independent technical experts will review the administrative data of the National TB Program (NTP) on cases notified for bacteriologically positive cases for the period January to September 2015 to establish a baseline. NTP will ensure the necessary inputs are provided to increase the notification of bacteriologically positive cases from 68 cases per 100,000 population to 69 cases per 100,000 population. This increase will be monitored for the period January to September 2016.
Data source	NTP administrative data. DLI Status Report will include information on DLI achievement at the national level.
Verification procedure	For the randomly selected districts for verification, NTP will provide the full list of facilities and their TB notification data. A team comprising of DPs and independent technical experts will: (i) review NTP administrative data and (ii) visit three randomly selected districts and in each of the district will randomly select three health facilities. In those selected facilities, the team will review the TB registries and check data consistency with central NTP administrative data.
DLI Milestones	Increase in the notification rate of bacteriologically positive cases from 68 cases per 100,000 population to 69 cases per 100,000 population.
Responsible Department	NTP

Component 2: Health System Strengthening

DLI 4	Detail
Indicator	**Performance of District Health Information System (DHIS2)**
Compliance Condition	A team of DPs and independent technical experts will review administrative data to assess the number of functioning Community Clinics (CC) which submits routine data to DHIS2 in the timely manner. **Functioning CCs** means those clinics were services are provided regularly. **Routine data** means the data submitted every month on the DHIS2. **Timely manner** means data submitted before the monthly deadline as per DHIS2 data submission schedule. (a) MIS-DGHS will collect data from the Line Director of Community Based Health Care (CBHC) to ascertain the number of functioning CCs. This exercise will help establish the baseline for this DLI. (b) MIS-DGHS and CBHC will ensure that the number of functioning CCs submitting routine data to DHIS2 in a timely manner in November 2016 will be increased by additional 20 over baseline of January 2016.
Data source	DHIS2.
Verification procedure	A team comprising DPs and independent technical experts will verify the DLI achievement for a random subset of CCs.
DLI Milestones	(a) Baseline established. (b) The number of CCs submitting routine data to DHIS2 in a timely manner will increase by additional 20 in November 2016 from the baseline of January 2016.
Responsible Department	CBHC; MIS-DGHS.

DLI 5	Detail
Indicator	**Strategic Investment Plan (SIP) for the health sector for the next five years**
Compliance Condition	The Planning Wing of the MOHFW will share the final SIP with relevant stakeholders.
Data source	DLI Status Report will include the letter issued by the Planning Wing along with the final SIP.
Verification procedure	The Bank will verify the achievement of this DLI.
DLI Milestones	SIP finalized and disseminated by MOHFW.
Responsible Department	Planning Wing of MOHFW.

DLI 6	Detail
Indicator	**Standard Guidelines for Medical Waste Management (MWM)**
Compliance Condition	The Director of Hospital Services Management (HSM) will initiate the process of getting the Guidelines for MWM approved. DGHS Curriculum Approval Committee will review and approve the Guidelines for MWM. DGHS will issue a MOHFW circular sharing the approved Guidelines for MWM with relevant officials of MOHFW and all health facilities.
Data source	DLI Status Report will include the MOH circular along with the approved Guidelines for MWM.
Verification procedure	The Bank will verify the achievement of this DLI.
DLI Milestones	Approved MWM is disseminated
Responsible Department	HSM

DLI 7	Detail
Indicator	**Medical Waste Management in district hospitals**
Compliance Condition	**Earmarking** sites mean that hospital authority designates the area for temporary storage along with signboard. Currently, there are 10 district hospitals that have earmarked temporary storage sites for medical waste. HSM will ensure that additional 5 district hospitals earmark temporary storage sites for medical waste. Details of the additional 5 district hospitals where temporary sites to be earmarked will be provided by HSM.
Data source:	MOH administrative data. DLI Status Report will describe the status of the DLI and include the list of the 5 additional district hospitals.
Verification procedure	A DP team will visit the 5 district hospitals to verify the achievement of this DLI.
DLI Milestones	5 additional district hospitals have earmarked sites for temporary storage of medical waste.
Responsible Department	HSM

DLI 8	Detail
Indicator	**Contract Management Guidelines for Bangladesh Health Sector**
Compliance Condition	The MOHFW will hire consultants using Joint Donor Technical Assistance Fund (JDTAF) to draft the contract management guidelines for the Bangladesh Health

DLI 8	Detail
	Sector. MOHFW will review, finalize and approve contract management guidelines.
Data source	DLI Status Report will include (i) the Contract Management Guidelines and (ii) the letter issued by the MOHFW approving the contract management guidelines.
Verification procedure	The Bank will verify the achievement of this DLI.
DLI Milestones	Contract Management Guidelines approved by MOHFW.
Responsible Department	Development/Procurement Wing, MOHFW

DLI 9	Detail
Indicator	**New institutional organogram of the Central Medical Stores Depot (CMSD)**
Compliance Condition	CMSD is the procuring entity for goods for Directorate General for Health Services. MOHFW will hire consultants to develop a new organogram for the CMSD, using Joint Donor Technical Assistance Fund (JDTAF). MOHFW will then review, consult with relevant stakeholders, finalize and send the organogram to MOPA for approval.
Data source	DLI Status Report will include (i) the final CMSD organogram and (ii) the MOHFW formal letter to MOPA to seek approval of the organogram
Verification procedure	The Bank will verify the achievement of this DLI.
DLI Milestones	Proposal for new organogram of CMSD finalized by MOHFW and sent to MOPA for their approval.
Responsible Department	Development/Procurement Wing, MOHFW

DLI 10	Detail
Indicator	**Strengthening of procurement procedures**
Compliance Condition	The following three actions identified from the IFA action plan will be implemented by MOHFW. i) To increase capacity at CMSD and DGFP and to strengthen transparency of the procurement process, the MOHFW, with prior agreement of the World Bank, would form bid evaluation committees at both CMSD and DGFP comprising of Government representatives and two independent international consultants. The independent international consultants will also review specifications, bidding documents including addenda, pre-bid meeting minutes, attend pre-bid meetings/ bid openings, and monitor deliveries, where applicable. The consultants will be hired using Joint Donor Technical Assistance Fund (JDTAF). ii) The MOHFW will ensure that EDCL is only contracted by CMSD to provide medicines which it manufactures using pooled funds. iii) The MOHFW will ensure that the bidding documents of packages processed by CMSD and DGFP and financed by the pooled funds excludes local agents from eligibility to bid. A Local Agent is neither a bidder nor a supplier or a party to the contract and is not legally responsible or accountable for obligations of the procurement process and contract. The bidder may appoint local agent to facilitate bidding process or execution of the contract. Bidder shall declare name of local agent, reason for commission or gratuity payment and the amount and currency of each such commission or gratuity. The MOHFW will issue a letter to the World Bank, confirming that these three conditions were complied with, for the HSDP packages.

DLI 10	Detail
Data source	DLI Status Report will include proofs for the achievements of the three DLRs: (i) Signed contracts for the consultants to participate in Bid Evaluation Committees (BECs); (ii) All new pooled fund-financed contracts with EDCL issued by CMSD between January - June 2016 as proof that EDCL only provides medicines it manufactures; and The MOHFW will issue a letter to the World Bank, confirming that no local agents participated in the post review contracts.
Verification procedure	The bidding documents of prior review HSDP contracts will be reviewed by WB to ensure the exclusion of local agents.
DLI Milestones	MOHFW complied with the three actions.
Responsible Department	CMSD, DGFP, Development/Procurement Wing of MOHFW

DLI 11	Detail
Indicator	**Restructuring of Financial Management and Audit Unit (FMAU)**
Compliance Condition	FMAU, MOHFW will review and respond to the queries raised by MOPA on the draft FMAU restructuring proposal. MOHFW will then follow-up with MOPA to get their approval of the proposal.
Data Source	Formal MOHFW letter responding to MOPA queries. MOPA letter approving FMAU restructuring proposal.
Verification procedure	DLI Status Report will contain: (i) formal MOHFW response to MOPA's queries and (ii) letter issued by MOPA approving the FMAU restructuring proposal.
DLI Milestones	(a) MOHFW responds to MOPA's queries. (b) MOPA approves FMAU restructuring.
Responsible Department	FMAU

DLI 12	Detail
Indicator	**Internal audit FY2014 of MOHFW with a time bound action plan**
Compliance Condition	FMAU has hired by an independent audit firm to undertake the internal audit for FY2014. FMAU will ensure that this internal audit is completed and a time-bound action plan to respond the audit findings is adopted by MOHFW.
Data source	DLI Status Report will include: (i) the FY2014 internal audit report and the MOHFW cover letter sharing it with relevant stakeholders and (ii) the formal time-bound action plan and MOHFW cover letter sharing it with relevant stakeholders.
Verification procedure	The Bank will verify the achievement of this DLI.
DLI Milestones	(a) MOHFW sharing of the FY2014 internal audit report with relevant stakeholders; and (b) MOHFW formal adoption of a time-bound action plan to address the key issues raised in the FY2014 internal audit report.
Responsible Department	FMAU

DLI 13	Detail
Indicator	**Assessment of MOHFW's accounting needs**
Compliance Condition	FMAU has hired consultants to conduct an assessment of the MOHFW accounting needs. This assessment will help towards developing an Integrated Financial Management Information System. FMAU will ensure that the consultants complete the assessment and prepare report.
Data source	DLI Status Report will include: (i) the final assessment report and (ii) the MOHFW formal letter sharing it with relevant stakeholders.

DLI 13	Detail
Verification procedure	The Bank will verify the achievement of this DLI.
DLI Milestones	Assessment of accounting needs completed.
Responsible Department	FMAU

DLI 14	Detail
Indicator	**Asset management pilot**
Compliance Condition	FMAU has designed an asset management system with assistance from international consultants. This will be piloted in Moulvibazar Sadar District Hospital and feedback sought from the users on the asset management system. FMAU will ensure that this pilot is completed.
Data source	DLI Status Report will include: (i) the pilot completion report and (ii) the MOHFW formal letter sharing it with relevant stakeholders.
Verification procedure	A team comprising DPs and independent technical experts will visit the hospital to verify the completion of the pilot.
DLI Milestones	Asset management system pilot completed.
Responsible Department	FMAU

DLI 15	Detail
Indicator	**MOHFW's web-based complaint mechanism**
Compliance Condition	"**Web-based complaint mechanism**" means that there is a text messaging system on the DGHS website for registering complaints. "**Maintained"** means it is sustained and continued. The MIS-DGHS will ensure that this mechanism is maintained.
Data source	DLI Status Report will include a computer log report which shows that there was no interruption of the web-based complaint mechanism in the last five months.
Verification procedure	DPs including the WB will randomly check the online system at the specific web link to assess whether or not the Web-based complaint mechanism is maintained.
DLI Milestones	Web-based complaint mechanism maintained by DGHS in the 5 months (July–November 2016).
Responsible Department	MIS-DGHS

ANNEX D: INTEGRATED FIDUCIARY ASSESSMENT SUMMARY

1. Bangladesh has encountered high governance-related risks in health sector activities. The Bank's Institutional Integrity Vice Presidency (INT) too has identified certain areas of high risk related to the HSDP, such as suboptimal competition, irregularities and inefficient use of project and program funds. Recognizing this, an integrated assessment of the FM and procurement systems of the MOHFW was carried out against the backdrop of a proposed AF of the Bangladesh HSDP. The objective of the assessment was to determine fiduciary risks to the achievement of envisaged outcomes of the AF, to identify underlying systemic weaknesses and to draft a comprehensive action plan that addresses fiduciary risks and systemic flaws identified.

Country Context

2. **Progress has been made in upstream budget reforms; however, budget execution processes and financial oversight continue to need substantial improvement.** Under the multi-donor funded Strengthening Public Expenditure Management Program (SPEMP) the Government implemented a US$52.5 million Deepening Medium-Term Budget Framework and Strengthening Financial Accountability Project. The project financed technical support for the rollout of a Medium-Term Budgetary Framework to all 59 line ministries; new software and hardware for the financial information systems; and substantial training for finance and budget staff. New institutional arrangements were strengthened: the Budget Management Committees were reconstituted and Budget Management Wings/Branches were formally established and staffed with the Government officials in all line ministries - this has strengthened the line Ministries' capacities to prepare their annual budgets in the context of their Ministry Budget frameworks and the Medium-Term Budgetary Frameworks. Notwithstanding these developments, budget preparation suffers from fragmentation between the development of the revenue and development budgets; has limited "bottom-up" inputs from implementing departments or their sub-national front-line providers, and remains highly centralized.

3. **Some progress has been made with respect to budget execution procedures.** Under SPEMP, the existing financial information system, iBAS, was rolled out to the majority of upazila offices. Under SPEMP the more ambitious investment was in a new software, referred to as IBAS++, which was to upgrade the technology (online web based platform) and functionality of IBAS (commitment controls, budget integration) based on a new modern chart of accounts. However, the software development did not proceed according to the timing envisaged in the project, and as the project neared its close in June 2014. Due to limited Government ownership and involvement, including lack of clarity on the objectives of iBAS++ as well as an absence of authorization and clear decision-making on system development, SPEMP closed in June 2014. Hence, budgets are not operating at a level where effective budgetary control is exercised. The successor system, iBAS ++, is under development financed by a Government program, but the progress is slow. Accounting and financial reporting at the line ministry level continues to be manual.

4. The statutory framework for procurement and FM is comprehensive and some actions have been taken in recent times against non-compliance. However, overall enforcement remains weak overshadowing the achievements. Wide-ranging financial non-compliance are reported in the Comptroller and Auditor General's annual audit report of the ministries. Though investigations

into irregularities and action against responsible officers have been taken but it is limited. Within the health sector, the Auditor General's report indicates ongoing financial irregularities, most of which are procurement-related. Under the HSDP, the number of material findings rose from 13 in 2011/12 (involving procurements valued at a total of US$10 million) to 47 in 2013/14 (US$18.30 million), as the sample size of the audit has been increased.

5. **Bangladesh has a modern Right to Information Act, but many institutions have weak transparency and accountability regimes.** Public disclosure of audit reports is rare and follow-up of audit recommendations is generally weak. The slow process and long delays in settlement of audit issues undermines the value of the audit. Limited public access to audit information, leads to misinterpretation of audit findings in the public domain.

6. **Procurement practices have not yet caught with up the potential of policy reforms.** Public procurement is one of the sectors most vulnerable to irregularities. Practices such as short bidding periods, poor advertising, nondisclosure of selection criteria, poor technical specifications, negotiations with bidders and rebidding without adequate justification create opportunities for irregularities.

Sectoral context:

7. **Like other line ministries, the MOHFW is impacted by some broader systemic weaknesses and risks. In response to some of these risks, the MOHFW has pursued several reforms, on its own, under successive sector programs, although there is scope for further improvement, and for aligning some of the initiatives with country systems.** The reforms have helped to strengthen financial accounting, reporting and internal audit oversight. The initiatives have included the following: (i) Outsourcing financial accounting and reporting to a private audit firm. This has increased the capacity of the Line Directors; (ii) Outsourcing internal audit review to a private audit firm. The internal audit by an audit firm financed by the GOB has undergone many challenges; (iii) A proposal has been developed and submitted to the MOPA to strengthen the FMAU through increasing its staffing capacity, retaining qualified staff and raising its profile as the strategic unit for risk management and control in the MOHFW. The proposal awaits approval by MOPA and then MOF in order for implementation to begin; (iv) With a view to bringing in a combination of compliance and performance audit in the HSDP annual audit, developing a draft audit strategy (2011-2016). The strategy was also to complement the audit approach and methodology of FAPAD, Controller and Auditor General. Although the audit methodology of FAPAD, to some extent, is in compliance with the strategy, a formal endorsement from the Controller and Auditor General is yet to be received.

8. With respect to procurement, notable improvements have included: (i) introduction of a web-based supply chain portal for drugs that is helping to minimize drugs stock-outs; (ii) capacity building initiatives that are helping to reduce stock-outs and the procurement lead time by 20 weeks; and (iii) appointment of procurement focal persons at the CMSD, DGFP and the Health Engineering Department. Given these improvements in the procurement systems, the WB's prior review threshold was raised effective from July 1, 2013.

9. An emerging concern of fiduciary risk in the sector is the reoccurrence of financial irregularities in successive financial years of implementation of HSDP. The fiduciary reviews[2], undertaken in addition to the agreed Fiduciary Arrangements[3] for HSDP, helped in detecting irregularities in the program. The MOHFW has taken various measures to address irregularities relating to cash management and payment of honoraria/allowances, recovered irregular payments, refunded ineligible expenditures and taken disciplinary action against officials. Those reviews and actions have had some positive impact on certain specific areas. Despite these progresses, there are key challenges that affect performance of the program.

10. **Medical equipment**: Generally, manufacturers of medical equipment do not directly participate in tendering processes. They participate either through suppliers/traders or local agents. This practice is not unique to the Bangladesh Health Nutrition and Population sector. This pattern is observed across the South Asia region as well as in Africa.

11. Bio-medical engineering is a specialized area. The engineering schools in Bangladesh do not have bio-medical engineering departments and, therefore, no local expertise in bio-medical engineering exists. The MOHFW has to rely on international consultants for this expertise.

12. **Pharmaceuticals**: Drug pricing in Bangladesh is highly regulated. The maximum retail price of 117 essential drugs are set by the Directorate General of Drug Administration (DGDA), taking into account the cost of production and inputs. Prices of drugs (other than the 117 essential drugs) are proposed by the manufacturers (based on their cost of production) and an index price is agreed following negotiations between the manufacturer and DGDA. The maximum retail price in Bangladesh is lower than the prices in other countries in the South Asia region. In public procurement, it is observed that the prices quoted by bidders are even less than the maximum retail price /index price.

13. Bangladeshi pharmaceutical firms focus primarily on branded generic final formulations using imported active pharmaceutical ingredients. About 80 percent of the drugs sold in Bangladesh are generics and 20 percent are patented drugs.

14. Although 235 pharmaceutical companies are registered in Bangladesh, only about 85 are actively producing drugs. Out of the 85, the top 30 to 40 companies dominate almost the entire market; the top 10 hold 70 percent of the domestic market share; and the top two, Beximco and Square, 25 percent. The industry structure is relatively concentrated.

15. Most of the drugs procured in the sector (excluding family planning products) using the Government's own funds are procured in a decentralized manner. However, procurement of drugs using HSDP funds are processed centrally by the CMSD and DGFP.

[2] Special FM in-depth review, IFR, Integrated Procurement Review and ex-post procurement audit.
[3] Update of health sector FM handbook, Private Audit Firm to conduct Internal Audit, Ex-ante review of IUFRs before disbursement, FMAU with adequate and qualified staff, Outsourcing FM functions in Line Directors and annual external audit in accordance with the agreed strategy/TOR, Independent Procurement Review (2015), inventory management through e-portal in the DGFP, annual procurement performance audit in accordance with the agreement, procurement handbook in the DGFP.

16. For Government financed procurement of drugs, there is provision for hospitals to procure directly from the EDCL.[4] For HSDP financed procurement, the CMSD and DGFP procure these drugs through an international competitive bidding process following WB Procurement guidelines. Foreign manufacturers need to register their products with DGDA to market them in Bangladesh. Under WB procurement guidelines prospective suppliers must meet specified commercial capacities (that is, turnover, liquidity, supply experience, and so on) which only a few local manufacturers meet. Since the drug registration process for foreign manufacturers is lengthy and time consuming, few foreign manufacturers have undertaken it and so most WB-financed drug procurement involves only a few local manufacturers, raising the risk of cartel formation and behavior.

17. From various reviews it is also evident that issues like the limited role of DGDA in determining the price of essential drugs, inadequate skills among DGDA officials, political pressure in Good Manufacturing Practice certificate approval, and irregularities in approvals, registration, and so on, affect the pharmaceutical industry and the public procurement of drugs.

18. **Key risks have been identified in the fiduciary systems of the MOHFW that could undermine the achievement of the results in the sector**. While some of these risks arise from sector-specific weaknesses noted under the current HSDP program, others devolve from weaknesses in broader PFM systems in Bangladesh, and hence, are not unique to the health sector:

(a) The system for identifying, reporting, investigating and prosecuting cases of fraud and corruption are formally in place, but in practice are not functioning that effectively. The competition in bids is already substantially below industry standards in the health sector of Bangladesh.

(b) Collusive practices amongst bidders have the potential of distorting the market. Use of local agents and award of contract to local agents for years has created a complex risk environment prone to corruption and supply risk.

(c) Weak staffing capacity at the FMAU limits the MOHFW's controls and financial oversight in line directors and cost centers.

(d) In the absence of an asset management system, misuse of assets, underutilization of procured items, and waste of funds can occur.

(e) Slow or ineffective mechanisms for resolving external audit findings contribute to lack of accountability and create the potential of misuse of program funds.

19. The IFA action plan in Annex E aims to address these risks.

[4] EDCL is legally and financially autonomous, operating under commercial law. The Government owns 100 percent of its shares. The Health Minister is the Chairman of the Board and members include the DGDA, DGHS, DGFP, and the Director of CMSD, who are appointed by virtue of their positions and do not draw any salaries or portion of profits from EDCL. The Director of CMSD, being a member on EDCL's Board, created the perception of a potential conflict of interest, for which reason he has recently resigned from the EDCL Board.

ANNEX E: INTEGRATED FIDUCIARY ASSESSMENT ACTION PLAN

In view of lessons learned from the current HSDP (where identified fiduciary weaknesses resulted in several cases[5] of misprocurement, INT investigations and ineligible expenditures), several risk mitigation measures have been identified, as set out in the table below. The actions highlighted in bold in the table below are being prioritized.

Perceived Risks	FM	Proc	Mitigation Measures	Action steps	Responsibility	Timeline	Implementation status
1. System for identifying, investigating and reporting fraud and corruption is weak.	X		1. While the overall system is being strengthened the Bank will: (i) instead of annual Integrated Fiduciary Review (IFR),[6] **prepare an IFR every six months using forensic techniques and methodology (by an independent firm)**	1. Prepare TOR	Bank	September 2015	A fiduciary review is currently being conducted. A dash-board is being developed to monitor red flags in procurement and financial management activities.
				2. Firm appointed	Bank	December 2015	
				3. Report of first IFR submitted	Bank	March 2016	
				4. Subsequent IFR conducted	Bank	September 2016	
			(ii) Design a dash-board to monitor integrity flags (red flags in procurement and FM). These measures along with an annual integrity assessment will identify hot spots that should be targeted by internal and external audits.	1. Finalize design of the dashboard	Bank	December 2015	
				2. Operationalize the dashboard by entering data	Bank	February 2016	
2. Lack of guidelines for contract management results in inadequate monitoring and administration of procurement contracts.		X	2. Prepare and adopt guidelines for contract management in the health sector.	1. Prepare Terms of Reference (TOR)	MOHFW, Bank	September 2015	Contract management guidelines is under preparation
				2. Consultants appointed	MOHFW, DFID-JDTAF	December 2015	
				3. Draft guidelines prepared	MOHFW, Consultants	April 2016	

[5] Five contract packages of CMSD worth US$ 1.1 million has been declared misprocured based on the findings of IFR 2014

[6] IFRs are done on an ex-post basis, i.e., after procurement and FM transactions are completed.

				4. Guidelines approved	MOHFW, CPTU	September 2016	
				5. Guidelines adopted and implemented	MOHFW	December 2016	
				6. Core staff trained	MOHFW	March 2017	
3. Collusion resulting in unfair competition, fraud and waste of project funds: bidders may collude and rotate contracts, resulting in artificially high prices and exposure of project funds to risks of corruption; GOB officials may solicit bribes and/or "facilitation payments" during or after WB non-objection		X	*3 (a)* **To increase capacity at CMSD and DGFP and to strengthen transparency of the procurement process, the MOHFW, with prior agreement of the Bank, would form bid evaluation committees at both CMSD and DGFP comprising of Govt representatives and independent consultants**. Each bid evaluation committee will have members that include Govt representatives, two international consultants (procurement and technical) .The independent consultants will also review specifications, bidding documents including addenda, pre-bid meeting minutes, attend pre-bid meetings/ bid openings, and monitor deliveries. The consultants will not only provide oversight to the procurement process but also deliver on the job training to the individuals involved with procurement. Detailed ToR will be prepared.	1.Prepare TOR	Bank, MOHFW	September 2015	Independent international consultants are in place assisting CMSD and DGFP in completing procurement processes. A strategic staffing plan is being developed for CMSD to restructure the institution to increase its effectiveness in rendering procurement services. Government has taken measures to exclude local agents from bidding to reduce malpractices conducted by local agents when acting as bidders.
				2. Consultants hired	MOHFW, DFID-JDTAF, Bank	January 2016	
				3.Consultants on board and working with the committees	MOHFW	February 2016	

		X	3 (b) Hire consultants to help restructure CMSD, including developing a strategic staffing plan.	1. Prepare TOR	MOHFW, Bank	Completed	
				2. Consultants hired	MOHFW, DFID-JDTAF	November 2015	
				3. CMSD assessment draft report submitted	DFID-JDTAF, Consultants	April 2016	
				4. Proposed organogram approved by MOHFW	MOHFW	September 2016	
				5. Organogram approved by MOPA	MOPA	March 2017	
				6. Organogram endorsed by MOF	MOF	September 2017	
		X	3 (c) **Exclude local agents[7] from eligibility to bid.**	Procuring entities will ensure that bidding documents do not have any provision to allow local agents to bid.	MOHFW, Bank	September 2015	
		X	3 (d) Invite pharmaceutical and medical equipment suppliers to workshops every six months to explain WB procurement rules and safeguards.	1. First consultation held	MOHFW, Bank	December 2015	
				2. Subsequent consultation held	MOHFW, Bank	July 2016	
		X	3 (e) In order to increase transparency accountability and improve governance, bidders will sign an integrity	1.Integrity pledge drafted	Bank	October 2015	
				2. Finalize/agree integrity pledge	MOHFW, Bank	April 2016	

[7] A Local Agent is neither a bidder nor a supplier or a party to the contract and is not legally responsible or accountable for obligations of the procurement process and contract. The bidder may appoint local agent to facilitate bidding process or execution of the contract. Bidder shall declare name of local agent, reason for commission or gratuity payment and the amount and currency of each such commission or gratuity.

			pledge as a part of bidding process.[8]	3. Operationalize the integrity pledge	MOHFW, Bank	July 2016	
		X	3 (f) Conduct a comprehensive market survey of the pharmaceutical industry in Bangladesh (including quality of pharmaceuticals), to benchmark it against other comparable markets[9].	1. Prepare TOR	Bank	September 2015	
				2. Consultants hired	Bank	December 2015	
				3. Report submitted	Bank	April 2016	
				4. Benchmarking established	Bank	August 2016	
		X	3 (g) Determine the eligibility criteria of EDCL to participate in bidding	1. Prepare TOR	Bank	Completed	
				2. Consultants hired	Bank	Completed	
				3. Draft report submitted	Bank	September 2015	
				4. Eligibility determined	Bank, MOHFW	November 2015	
4. Weak capacity at the Financial Management and Audit Unit (FMAU) limits compliance with applicable financial procedures and controls	X	X	4 (a) Approve the restructuring of FMAU[10] to improve its fiduciary oversight capacity	1. Restructuring approved	MOPA	April 2016	A proposal for restructuring of the FMAU, to improve its fiduciary oversight capacity, is currently with Ministry of Public Administration for approval. A private audit firm has been engaged to carry out internal audit to identify weaknesses in the internal
				2. Restructuring endorsed	MOF	October 2016	
				3. Initiate hiring of personnel	MOHFW	January 2017	
				4. Staff on board	MOHFW	June 2017	
				5. Assess implementation	MOHFW, Bank	November 2017	
	X		4 (b) Institute expenditure validation by hiring two individual consultants, prior to	1. Prepare TOR	Bank	October 2015	
				2. Consultants hired	MOHFW, DFID-JDTAF	January 2016	
				3. Consultants on board assisting	MOHFW	February 2016	

[8] This will facilitate legal actions or debarment subsequently.
[9] Study will be based on international experience to *inter allia*, better understand market distortions, international price comparisons, the size of the private and government market for the manufacturers, competitiveness of local drug industry, existing quality control mechanism, cost structure etc. with objective to recommend appropriate strategy for procurement of pharmaceuticals by CMSD and DGFP.
[10] This measure is included in the Priority Action Plan (PAP) of Mid Term Review.

			submission of IUFR[11] to the Bank without unreasonable delays and respecting the deadlines	FMAU in expenditure validation			control system and to recommend necessary measures for improvement.
	X		4 (c) **Continue outsourcing internal audit reviews with external audit firm**[12].	1. Revisit TOR	MOHFW, Bank	September 2015	
				2. Consultants hired	MOHFW, DFID-JDTAF	January 2016	
				3. Draft report submitted	MOHFW, Consultants	May 2016	
				4. Subsequent audit held	MOHFW	May 2017	
5. Absence of an asset management system results in misuse of assets, underutilization, and waste of funds.	X	X	5. **Pilot (i) financial management information system (i.e. a computerized accounting and reporting system)**	1. Prepare TOR for conducting an assessment of accounting needs	MOHFW, Bank	October 2015	An asset management system has been designed with technical assistance from the USAID and is being piloted at the district hospital in Moulvibazar, Sylhet.
				2. Consultants hired	MOHFW, DFID-JDTAF	February 2016	
				3. Assessment report submitted	MOHFW, Consultants	June 2016	
				4. Prepare TOR of FMIS	MOHFW, Bank	August 2016	
				5. Consultants hired to design FMIS	MOHFW, DFID-JDTAF	October 2016	
				6. Pilot FMIS	MOHFW	February 2017	
			(ii) **Pilot an asset management system**	1. Workshop on asset management system	MOHFW, MSH-USAID, Bank	October 2015	
				2. Finalize the design of asset management system	MOHFW, MSH-USAID, Bank	February 2016	
				3.Revised design piloted	MOHFW, MSH-USAID	May 2016	

[11] This recommendation is a stop gap measure until FMAU is restructured
[12] Performance of consultants will be monitored.

6. Slow or ineffective mechanisms for resolving external audit findings contributes to lack of accountability	X		6. **(i) Bank identified material audit findings need to be responded by the MOHFW within six months after Bank's communication to the MOHFW.** **(ii) Communications including actions taken based on the audit observations will be communicated to the development partners every quarter."**	1.Agree on the timeline	Bank, MOHFW	October 2015	MOHFW has agreed to respond to the Bank identified material audit findings within a period of six months after receipt of Bank's communication.
				6. (i) Apply starting from FY2015 audit findings (ii) Implement immediately for FY2014 audit findings	Bank	(i) by end July 2016 (ii) December 2015	
7. Lack of an effective complaint handling system	X	X	7. **Strengthen complaint handling mechanisms in MOHFW**.[13]	1. Mechanism strengthened and complaint resolution published	MOHFW with assistance by consultants under 3 (a)	July 2016	Existing complaint handling mechanism, established by the DGHS, is being strengthened by improving timeliness in responding to complaints and publishing the resolution on the websites of the MOHFW.
				2. Assess effectiveness of complaint mechanism	MOHFW, Bank	December 2016	

[13] The GOB should build and strengthen credible, effective, independent complaint handling systems, including appropriate outreach and training of MOHFW and DGFP staff, civil society, medical practitioners, the private sector and citizens at large to raise awareness of and encourage the use of the complaint handling system. It should also publish complaints and resolutions on the Ministry's website.

ANNEX F: SECTOR PROGRAM FINANCING (JULY 1, 2011 – DECEMBER 31, 2016)

Expenditure Items	In million US$						
	FY2012 Actual expenditure	**FY2013** Actual expenditure	**FY2014** Actual expenditure	**FY2015** Actual expenditure	**FY2016** Budget	**Jul 2016-Dec 2016** Estimate**	**TOTAL**
MOHFW financing							**6,264**
Salaries and allowances	391	404	479	528	559	386	2,747
Non-salary recurrent*	459	487	512	535	453	116	2,562
Capital	135	208	215	276	110	11	955
Development Partners (Pooled and parallel financing)	275	336	353	327	258	198	**1,747**
TOTAL	1,260	1,435	1,559	1,666	1,380	711	**8,011**

Note*: Non-salary recurrent category includes supplies and services, repairs, maintenance and rehabilitation, and block allocation for various activities.

Note:** An estimated government budget of US$513 million will be required for July to December 2016 due to the six-month extension of the HPNSDP. The official government budget figure will be available after June 2016 for FY2017.