

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7587-PA

Loan Agreement

(Health Equity and Performance Improvement Project)

between

REPUBLIC OF PANAMA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated September 30, 2008

Public Disclosure Authorized

LOAN AGREEMENT

Agreement dated September 30, 2008, between REPUBLIC OF PANAMA (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of \$ 40,000,000 (forty million Dollars), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount. The Borrower shall pay the Front-end Fee not later than 60 days after the Effective Date.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower

shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.

- 2.05. The Payment Dates are June 15 and December 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- 2.08. Without limitation upon the provisions of paragraph (a) of Section 2.07 of this Agreement and unless otherwise notified by the Borrower to the Bank in accordance with the provisions of the Conversion Guidelines, the interest rate basis applicable to the aggregate principal amount of the Loan withdrawn during each Interest Period shall be changed from the initial Variable Rate to a Fixed Rate for the full maturity of such amount in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall carry out the Project through MINSA in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Bank's approval of the Loan which expire on February 5, 2010.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Borrower's Representative is its Minister of Economy and Finance.

- 5.02. The Borrower's Address is:
Ministerio de Economía y Finanzas
Dirección de Crédito Público
Vía España, Calle 52
Edificio OGAWA, 4to Piso
Panamá, República de Panamá
Facsimile: (507) 507-7200

- 5.03. The Bank's Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED at Panama City, Panama, as of the day and year first above written.

REPUBLIC OF PANAMA

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

**By: /s/ Héctor E. Alexander H.
Authorized Representative**

**By: /s/ Laura Frigenti
Authorized Representative**

SCHEDULE 1

Project Description

The objective of the Project is to assist the Borrower in: (a) increasing access of populations in selected underserved rural communities of its territory to quality basic health services known to improve mother and child health and (b) developing strategic planning, regulatory and monitoring mechanisms known to improve health system performance.

The Project consists of the following parts:

Part 1: Increasing Access to Basic Health Care Services

The financing of Capitation Transfers to MINSA to help ensure access by eligible beneficiaries to a package of basic health services (PBHS) comprising *inter alia*, preventive and health care services and education and health promotion benefits as set forth under the Borrower's program of health protection for vulnerable populations (PSPV).

Part 2: Increasing Responsiveness of Primary Health Services Networks

- 2.1. The strengthening of MINSA's health regions' management capacity to develop and implement primary health care in the Borrower's territory through, *inter alia*, training and the provision of technical advisory services for:
 - (a) the carrying out of assessments of MINSA's health regions' intervention capacity in human resources, equipment and infrastructure;
 - (b) the elaboration and ensuing implementation of annual operating plans regarding: (i) the management of the supply chain of pharmaceuticals for the delivery of ambulatory primary health services at the regional level; and (ii) the reduction of barriers to access primary health services in rural areas of the Borrower's territory; and
 - (c) the development of an accreditation system for primary health care facilities in underserved rural areas.
- 2.2. The improvement in the delivery of existing PBHS to vulnerable populations living in underserved rural areas through, *inter alia*:
 - (a) the provision of technical advisory services in relation to the assessment and updating of health priorities, the PBHS, its delivery model and its costing;

- (b) the carrying out of small civil works for the refurbishment of, and the provision of goods and medical equipment to, existing facilities;
- (c) the provision of technical advisory services for the development of: (i) the initial implementation of a continuous training program for community health workers; and (ii) strategies for early identification and transportation of critical-condition patients; and
- (d) the implementation in selected primary health care facilities in underserved rural areas of a pilot program of telemedicine in primary health services.

Part 3: Enhancing MINSA's Institutional Capacity to Exercise its Stewardship over the Health Sector

- 3.1. The strengthening of MINSA's capacity for developing and implementing strategic plans to improve performance in the health sector through, *inter alia*:
 - (a) the carrying out of national surveys to provide information for strategic planning;
 - (b) the development of a national strategy to improve equity in access to quality health services; and
 - (c) the development of a national strategy for improving the procurement, quality control and distribution of pharmaceuticals and the elaboration of short and medium term action plans focusing on primary health care medicine.
- 3.2. The carrying out of activities to update the current legal framework for health, including any enforcement mechanisms in relation thereto.
- 3.3. The strengthening of MINSA's capacity to develop and manage an integrated and comprehensive MIS to improve performance in the health sector through the provision of goods, training and technical advisory services for, *inter alia*:
 - (a) the operation of, *inter alia*, a database of beneficiaries, data on external audits, and the Capitation Transfers;
 - (b) timely decision-making at MINSA's regional and national levels in relation to the monitoring of the delivery of primary health care goods and services and assessment of results; and
 - (c) the management of fiduciary aspects of the Project, by MINSA's UGAF, and the coordination of overall Project activities.

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

- 1 The Borrower shall maintain within MINSA during the implementation of the Project, relevant structures and units described in the OM, among which, selected ones mentioned hereunder for the exclusive functions described hereunder, all of which shall consist of staff having experience and qualifications satisfactory at all times to the Bank, including staff appointed in accordance with the provisions of Section III of this Schedule and made responsible specifically for:
 - (a) the technical implementation of Part 1 of the Project by Regional Management Units through the carrying out of Performance Agreements entered into with MINSA;
 - (b) (i) the financial, procurement, auditing, monitoring and reporting matters relevant to the administration of the Project; and (ii) the coordination of overall Project activities, by UGAF of MINSA, including the preparation of annual Project work plans, internal audit plans and budgets by UGAF of MINSA to be furnished to the Bank for its review and thereafter implemented with diligence and efficiency, taking into account the Bank's comments and recommendations thereon; and
 - (c) addressing, through CODIPRO, technical issues and constraints in respect of Project implementation.
2. The Borrower shall:
 - (a) through MINSA's National Directorate of Health Services Delivery, enter into annual Performance Agreements with each RMU participating in the Project, which agreement shall include, *inter alia*:
 - (i) the RMU's obligation to:
 - (A) carry out the Performance Agreement and to meet the performance benchmarks specified or referred to therein;
 - (B) ensure, under the Capitation Transfers payment mechanism, that only services related to the delivery of the PBHS are being paid for;

- (C) keep records and accounts of expenditures incurred for the delivery of the PBHS;
 - (D) undertake selected data collection activities relevant to the maintenance and update of the MIS for the Project, with a view to generate information pertinent to the implementation of Part 1 of this project; and
- (b) (i) exercise its rights and carry out its obligations under each Performance Agreement in such a manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan; and
 - (ii) except as the Bank shall otherwise agree, the Borrower through MINSA, shall not assign, amend, abrogate, repeal, terminate, waive or fail to enforce any Performance Agreement or any provision thereof.
 - (c) The Borrower shall ensure, through MINSA, that the annual Performance Agreements for the Project are submitted to the Bank for its prior review and approval.

B. Implementation Documents

- 1. (a) The Borrower has, through MINSA, adopted a Project operational manual dated June 20, 2008, satisfactory to the Bank, therein setting forth rules, methods, guidelines, standard documents and procedures for the carrying out of the relevant parts of the Project, including the following:
 - (i) (A) the detailed description of Project implementation activities, their sequencing and the prospective timetable and benchmarks in relation thereto; and (B) the detailed institutional arrangements in respect thereof;
 - (ii) (A) the criteria, costing mechanism, detailed rules and procedures for: (1) Capitation Transfers; and (2) the delivery of PBHS by the RMUs under Performance Agreements to be entered with MINSA; (B) details of the contents and procedures for the carrying out of all financial, technical, and social audits of Project activities related to the delivery of PBHS; and (C) a detailed description of all the health services of the PBHS;
 - (iii) the Project administrative, accounting, auditing, reporting, financial, including cash flow aspects in relation thereto,

procurement and disbursement procedures, including all pertinent standard documents and model contracts in relation thereto, including draft performance agreements;

- (iv) the EMP and the IPP for the Project;
 - (v) the plan for the monitoring and supervision of the Project, including all environmental, physical, social and information technology-related aspects in relation thereto; and
 - (vi) the performance indicators for the Project.
- (b) The Borrower shall, through MINSA, carry out the Project in accordance with the OM.
2. In the event that any provision of the OM shall conflict with any one under this Agreement, the terms of this Agreement shall prevail.
3. The OM may only be amended from time to time with the Bank's prior written consent.

C. Other Implementation Arrangements

1. The Borrower, through MINSA, prior to a request for financing of Capitation Transfers, shall: (a) establish a separate Capitation Transfer fund account; and (b) ensure that all amounts deposited in the Capitation Transfer Fund account are used exclusively to make payments for ensuring access to the PBHS to eligible beneficiaries.
2. The Borrower, through MINSA, shall:
- (a) promptly after the Effective Date, enter annually into a performance agreement with each participating RMU (the Annual Performance Agreement) setting forth, *inter alia*: (i) financing mechanisms for the delivery of PBHS in the corresponding health region; (ii) annual targets in respect of the PSPV results monitoring indicators; and (iii) annual work programs for implementation of the project, all on terms and conditions satisfactory to the Bank;
 - (b) make Capitation Transfers available to participating RMUs in accordance with detailed provisions, procedures, sequencing and timing in relation thereto set forth in the Operational Manual, and to include, *inter alia*, the following requirements:

- (i) during a period ending eight months after a first request for withdrawal shall have been made by the Borrower out of Category 1 of the table set forth in Section IV. A. 2 of Schedule 2 to this Agreement, MINSA, shall within two months thereof, proceed to make available 100% of the Capitation Transfers in respect of eligible beneficiaries after validation is made of the estimated number of eligible beneficiaries in each of the Borrower's participating health region;
 - (ii) thereafter, the Capitation Transfers shall be made available to the health regions in two installments . The first such installment shall be 65% thereof, paid every two months upon certification and validation by MINSA of a registry of eligible beneficiaries sent by the participating RMU for the corresponding two month period. The second installment for the remaining 35% thereof, shall be paid every four months upon verification by MINSA of the participating RMUs performance against agreed targets from the PSPV results monitoring indicators, all as set forth in the Operational Manual and the Annual Performance Agreements; and
 - (iii) the certification and validation of the estimated number of eligible beneficiaries and of RMUs performance against agreed targets from the PSPV results monitoring indicators shall be made by MINSA through the use of independent external technical audits to run concurrently with the implementation of the relevant activities under Part 1 of the Project and to be carried out by auditors appointed in accordance with the provisions of Section III of Schedule 2 to this Agreement and pursuant to terms of reference satisfactory to the Bank, such audit reports to be furnished to the Bank on a bi-annual basis;
- (c) (i) verify, through the use of financial audits to be carried out by independent auditors appointed in accordance with Section III of Schedule 2 to this Agreement and pursuant to terms of reference previously agreed with the Bank and as further specified in the Operational Manual, that the Capitation Transfers have been used for the purposes intended (ii) ensure, as part of such audits, that the flow of funds in respect of the Capitation Transfers is in compliance with the relevant provisions of the Operational Manual; and (iii) ensure that the ensuing reports are furnished to the Bank on a bi-annual basis; and
 - (d) ensure that, under each budget proposal to its legislature for the corresponding year during Project implementation, adequate arrangements are made by the Borrower to gradually assume a portion of

the costs related to the Capitation Transfers which are financed on a declining basis out of the proceeds of the Loan, as set forth in category 1 of the table in Section IV.A.2 of Schedule 2 to this Agreement.

3. The Borrower, through MINSA, shall ensure that: (a) annual reviews of selected activities of Project implementation described in the Operational Manual, including the Capitation Transfers mechanism, the menu of services of the PBHS and the PSPV results monitoring indicators, are carried out jointly with the Bank; and (b) the implementation of the Project is subsequently carried out applying the views and recommendations of the Bank in that respect.

D. Anti-Corruption

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

E. Safeguards

The Borrower shall, further to the provisions of paragraph B.1 (a) of this Section, specifically ensure, through UGAF of MINSA, that: (a) the Project is carried out in accordance with the EMP and the IPP prepared for the Project; and (b) the provisions addressing indigenous peoples concerns in the implementation of the Project as set forth in the Operational Manual are carried out as agreed with the Bank.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower shall, through UGAF of MINSA, monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators agreed with the Bank and set forth in the OM. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than one month after the end of the period covered by such report.
2. For purposes of Section 5.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than January 15, 2014.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall, through UGAF of MINSA, maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare through UGAF of MINSA and shall ensure thereafter that MINSA furnishes to the Bank as part of the Project Report Borrower shall prepare and furnish to the Bank not later than one month after the end of each calendar semester, interim un-audited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.
3. The Borrower shall, through UGAF of MINSA, have the Financial Statements for the Project audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower, commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.
4. Without limitation upon the provisions of paragraph 1 of this Section, the Borrower shall, through UGAF of MINSA, carry out a time-bound action plan dated March 12, 2008 agreed with the Bank for the strengthening of the financial management system of MINSA for the Project.

Section III. Procurement

A. General

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

B. Particular Methods of Procurement of Goods, Works and Non-consultant Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and Non-consultant services shall be procured under

contracts awarded on the basis of International Competitive Bidding and subject to the following special provisions:

- (a) prior registration, obtaining a license or an authorization shall not be a requirement for any bidder to participate in bidding procedures;
- (b) no bids shall be rejected, and no provisional awards shall be made at the time of bid opening;
- (c) the invitation to bid shall not establish, for purposes of acceptance of bids, minimum or maximum amounts for the contract prices; and
- (d) the invitation to bid shall not require mandatory attendance to a pre-bid meeting as a condition to bid.

2. **Other Methods of Procurement of Goods, Works and Non-Consultant Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and Non consultant services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<u>Procurement Method</u>
<p>(a) National Competitive Bidding (NCB) subject to the following provisions:</p> <ul style="list-style-type: none"> (i) standard bidding documents for NCB, acceptable to the Bank, should be used; (ii) foreign bidders shall not be required to be registered with local authorities as a prerequisite for bidding; (iii) no bids or proposals shall be rejected, and no provisional awards shall be made at the time of bid opening; (iv) the invitation to bid shall not establish, for purposes of acceptance of bids, minimum or maximum amounts for the contract prices; (v) the invitation to bid shall not require mandatory attendance to a pre-bid meeting as a condition to bid; and (vi) potential bidders shall be allowed adequate time to prepare bids which should not be less than 30 days, except for commodities and contracts for small goods and Non-consultant services.

<u>Procurement Method</u>
(b) Shopping, subject to the following provisions: <ul style="list-style-type: none"> (i) foreign bidders shall not be required to be registered with local authorities as a prerequisite for submitting quotations; and (ii) a minimum of three quotations shall be obtained as a condition to award the contract.
(c) Direct Contracting, subject to the Bank’s prior written consent
(d) Community Participation for Part 3 of the Project, as further set forth in the OM.

C. Particular Methods of Procurement of Consultants’ Services

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

<u>Procurement Method</u>
(a) Quality-Based Selection
(b) Selection under a Fixed Budget
(c) Least Cost Selection
(d) Procedures for the Selection of Individual Consultants

3. **Special provisions.** All methods of procurement of consultants’ services shall be carried out subject to the following special provisions:
 - (a) foreign firms shall not be required to be registered with local authorities as a prerequisite for submitting proposals;
 - (b) foreign consultants shall not be required to furnish any certificate issued by a local authority about their legal capacity or tax status for the purposes of submitting a proposal; and

- (c) foreign consultants shall not be required to submit their proposals in person.

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth all contracts, including those which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank may specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to: (a) repay the Project Preparation Advance in accordance with Section 2.07 (a) of the General Conditions; and (b) finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<u>Category</u>	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Capitation Transfers under Part 1 of the Project;	25,795,400	90% until the second year in Project implementation starting from the Effective Date; thereafter cascading downward annually to 85%, 75%; and 60% until reaching 40% of amounts disbursed by the Borrower.

<u>Category</u>	<u>Amount of the Loan Allocated (expressed in USD)</u>	<u>Percentage of Expenditures to be financed (inclusive of Taxes)</u>
(2) Goods, works, Non-consultant services, consultants' services, Training and Operating Costs under Part 2 of the Project	6,205,400	66%
(3) Goods, works, Non-consultant services, consultants' services, Training and Operating Costs under Part 3 of the Project	6,987,950	65%
(4) Refund of the Project Preparation Advance	761,250	Amount payable pursuant to Section 2.07 (a) of the General Conditions
(5) Unallocated	250,000	
TOTAL AMOUNT	40,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) from the Loan Account (other than to repay the Project Preparation Advance) until the Bank has received payment in full of the Front-end Fee;
 - (b) for payments made prior to the date of this Agreement;
 - (c) under Category (1) until and unless the Borrower has furnished to the Bank the information referred to in Section I.C. of Schedule 2 to this Agreement, in form and substance satisfactory to the Bank.
2. The Closing Date is June 30, 2013.

SCHEDULE 3**Amortization Schedule**

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each June 15 and December 15 Beginning June 15, 2013 through December 15, 2022	4.38 %
Beginning June 15, 2023 through June 15, 2028	1.06 %
On December 15, 2028	0.74 %

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
- (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
- (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.
 - (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (a) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (b) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

APPENDIX**Section I. Definitions**

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Capitation Transfers” means financial resources transferred by MINSA under the Project to participating RMUs (as hereinafter defined), calculated as a monthly *per capita* amount needed to ensure access of Eligible Beneficiaries (as hereinafter defined) to the PBHS (as hereinafter defined), as further referred to in Section I.C of Schedule 2 to this Agreement.
3. “Capitation Transfer Fund account” means the account opened and managed by MINSA to receive Capitation Transfers out of the proceeds of the Loan to be disbursed pursuant to terms and conditions set forth in the OM (as hereinafter defined).
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “CODIPRO” means *Comité Directivo de Proyectos*, the Borrower’s technical coordination board referred to in Section I.A.1(c) of Schedule 2 to this Agreement.
6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
7. “Eligible Beneficiaries” mean all individuals from poor households living in targeted, underserved communities of the Borrower’s territory, which are eligible to receive the PBHS (as hereinafter defined).
8. “EMP” means the Environmental Management Plan, including therein the medical waste management plan, prepared by the Borrower to identify and mitigate potential adverse environmental effects of Project implementation, dated June 05, 2008 and disclosed to the public on the same date therewith.
9. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008).

10. “IPP” means the Indigenous People’s Plan prepared by the Borrower to ensure that the Project objectives and activities benefit the indigenous people of the Borrower’s territory, dated April 30, 2008 and disclosed to the public on May 15, 2008.
11. “MEF” means *Ministerio de Economía y Finanzas*, the Ministry of economy and Finance of the Borrower.
12. “MINSA” means *Ministerio de Salud*, the Ministry of Health of the Borrower.
13. “MIS” means monitoring and information system.
14. “Non-consultant services” means, in respect of Categories 2 and 3 in the table of Section IV.A.2 of Schedule 2 to this Agreement, services to be contracted for the carrying out of activities related to the carrying out of, *inter alia*, social communication campaigns, including surveys and outreach programs and information Technology (IT) connection.
15. “OM” and “Operational Manual” mean a manual for Project implementation as referred to in Section I.B.1(a) of Schedule 2 to this Agreement.
16. “Operating costs” means in respect of Category 2 and 3 in the table in Section IV.A.2 of Schedule 2 to this Agreement, the incremental expenses incurred on account of Project implementation, including office equipment and supplies, vehicle operation and maintenance, insurance costs, office administration costs, utilities, travel, *per diem* and supervision costs and salaries of locally contracted employees.
17. “PBHS” means a package of basic health services to be delivered under Part 1 of the Project to eligible beneficiaries in selected underserved rural areas of the Borrower’s territory.
18. “Performance Agreement” means an agreement entered into between MINSA and an RMU(as hereinafter defined) for the delivery of PBHS to eligible beneficiaries, as referred to in Section I.A.2 (a) of Schedule 2 to this Agreement
19. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
20. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated June 20, 2008, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

21. “Project Preparation Advance” means the advance referred to in Section 2.07 (a) of the General Conditions, granted by the Bank to the Borrower pursuant to the letter agreement signed on behalf of the Bank on May, 01, 2008 and on behalf of the Borrower on May 09, 2008.
22. “Project Year” means each twelve month period during Project Implementation starting from the day after the Effective Date and ending twelve calendar months thereafter, and each subsequent twelve month period thereafter until completion of the Project.
23. “PSPV” means *Protección en Salud para Poblaciones Vulnerables*, the Borrower’s 2008 Program for the health protection of individuals from vulnerable groups of the population.
24. “Regional Management Unit” and “RMU” mean a regional unit of MINSA responsible for health services delivery in each participating health region of the Borrower’s territory.
25. “Training” means in respect of Categories 2 and 3 in the table in Section IV.A.2 of Schedule 2 to this Agreement: (a) reasonable travel, room, board and per diem expenditures incurred by trainers and trainees in connection with their training and by community health workers; (b) course fees; (c) training facility rentals; and (d) training material preparation, acquisition, reproduction and distribution expenses.
26. “UGAF” means Unidad de Gestión Administrativa y Financiera, the Administrative and Financial Management Unit of MINSA.