

CONFORMED COPY

LOAN NUMBER 7412-AR

Loan Agreement

(Essential Public Health Functions and Programs Project)

between

ARGENTINE REPUBLIC

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated July 12, 2007

LOAN AGREEMENT

Agreement dated July 12, 2007, between ARGENTINE REPUBLIC (“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 the Loan 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 two hundred and twenty million Dollars (\$220,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 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 Commitment Charge payable by the Borrower shall be equal to three-fourths of one percent (3/4 of 1%) per annum on the Unwithdrawn Loan Balance, subject to any waiver of a portion of such charge as may be determined by the Bank from time to time.
- 2.04. The Front-end Fee payable by the Borrower shall be equal to one percent (1.0%) of the Loan amount, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time.
- 2.05. 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, subject to any waiver of a portion of such interest as may be determined by the Bank from time

- to time; 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.
- 2.06. The Payment Dates are March 15 and September 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.08. (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 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.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III—PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project through MSN with the assistance of the Participating Provinces 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—REMEDIES OF THE BANK

4.01. The Additional Events of Suspension consist of the following:

- (a) Any Participating Province shall have failed to perform any of its obligations under its Umbrella Agreement and/or any of its Annual Performance Agreements, and the Borrower shall have failed to exercise its remedies under such Agreements, in which case the Bank may only suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account for expenditures incurred for Part III of the Project as payments to the relevant Participating Province(s).
- (b) Any of the Emergency Decrees have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Bank, the implementation of the respective Action Plan, in which case the Bank may only suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account for expenditures incurred with respect to the affected Action Plan.

4.02. The Additional Events of Acceleration consist of the following:

- (a) The event specified in Section 4.01 (b) of this Agreement occurs, with respect to both Actions Plans, after notice of the event relating to the second affected Action Plan has been given by the Bank to the Borrower.
- (b) The event specified in Section 4.01 (a) occurs for all Participating Provinces and is continuing for a period of 60 days after notice of the event for the last of the affected Participating Provinces has been given by the Bank to the Borrower.

ARTICLE V—EFFECTIVENESS

5.01 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 May 21, 2008.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower's Representative is its Minister of Economy and Production.

6.02. The Borrower's Address is:

Ministerio de Economía y Producción
Hipólito Yrigoyen 250
C1109ADA, Buenos Aires
Argentina

Cable:

Telex:

Facsimile:

MINISTERIO DE ECONOMIA
Baires

121942-AR

(5411) 43498815

6.03. 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 Buenos Aires, Argentine Republic, as of the day and year first above written.

ARGENTINE REPUBLIC

By /s/ Felisa Miceli

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Felipe Sáez

Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are: (a) to increase the coverage of the Priority Public Health Programs; (b) to reduce the relevant population's exposure to principal risk factors associated with collective illness; and (c) to improve the stewardship role and appropriate regulatory environment of the Borrower's public health system.

The Project consists of the following parts:

Part I: Strengthening of Public Health Functions

Strengthening the Borrower's stewardship and capacity to carry out the Priority Public Health Functions necessary for improving the Priority Public Health Programs, including:

- (a) at the national level:
 - (i) improvement of health intelligence by strengthening: (A) epidemiological surveillance and response; (B) vital statistics; (C) surveillance of NCD risk factors through continual surveillance and a second national risk factor health survey; (D) information systems for selected public health programs (immunizations, tuberculosis, AIDS); and (E) the public health laboratory network;
 - (ii) strengthening MSN's policy-making and planning capacity;
 - (iii) strengthening the regulatory framework for epidemiologic surveillance and for the Priority Public Health Programs;
 - (iv) development and implementation of a strategic plan for social communication in health, which includes the cultural adequacy of the Priority Public Health Programs for indigenous peoples;
 - (v) strengthening health promotion and primary prevention of prevalent diseases through social communication strategies, education and citizen participation, including studies of habits, and behavioral changes for specific populations;
 - (vi) promotion of traditional experiences of health promotion of indigenous peoples, especially from those communities with traditional health knowledge, attitudes, and practices for the prevention of chronic diseases; and

- (vii) provision of technical assistance to local institutions, health facilities, and community groups to strengthen their capacity to set up and carry out disease prevention, health promotion and health research; and
- (b) at the provincial level:
 - (i) strengthening the Participating Provinces' capacity: (A) to carry out the Project and the Priority Public Health Programs; (B) to negotiate and carry out the Annual Performance Agreements; and (C) to carry out the Healthy Municipalities Strategy;
 - (ii) the development and implementation of accreditation mechanisms for provincial public health programs and functions complementary to the Project, based on annual evaluation of the performance of such programs; and
 - (iii) formulation and implementation of IPPs.

Part II: Medical Supplies Management, Priority Public Health Programs Improvements and Readiness for Health Emergencies, Natural Disasters, and Avian Influenza Control and Human Pandemic

- (a) Strengthening medical supplies management and performance monitoring of the Priority Public Health Programs through:
 - (i) the development of a monitoring system to track storage, provision, utilization, and loss of supplies in the Provinces;
 - (ii) the improvement in supervision and accountability of resource allocation; and
 - (iii) the provision of Eligible Medical Supplies of Priority Public Health Programs.
- (b) Improvement of the Borrower's preparedness and response to a potential avian influenza epidemic, other health emergencies and natural disasters, through:
 - (i) implementation, if necessary, of the Avian Influenza Pandemic Action Plan; and
 - (ii) implementation, if necessary, of the Health Emergency and/or National Disasters Preparedness Action Plan.

Part III: Priority Public Health Programs Expansion

- (a) Implementation of PHAs consisting of, *inter alia*:
 - (i) public health surveillance activities, and other health intelligence functions;
 - (ii) disease control activities;
 - (iii) monitoring of compliance with national and provincial norms and standards including training and supervisory activities to improve public health quality;
 - (iv) health promotion, communication, education and social participation activities with an emphasis on healthy lifestyles;
 - (v) local distribution of key medical supplies for public health programs; and
 - (vi) regulation activities carried out by the MSPs.

Part IV: Management and Governance of the Project

- (a) Strengthening the MSN and MSP staff through the provision of technical assistance, information technology design services, and equipment.
- (b) Carrying out in depth Project evaluations, including an impact evaluation of the Project.
- (c) Developing and monitoring of minimum performance standards of the Priority Public Health Programs, including training to selected MSN and MSP staff in collecting, monitoring and reporting information, including outcomes.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

1. The Borrower shall, through MSN:

(a) maintain during the execution of the Project, within MSN, a national health services coordination unit (CU) to manage Project implementation on behalf of MSN with functions and responsibilities acceptable to the Bank and staffed with a coordinator, technical experts (including management-for-results specialized staff) and other personnel in number and with qualifications and experience acceptable to the Bank; and

(b) cause the Participating Provinces, through the Umbrella Agreements, to maintain during the execution of the Project, within the respective MSPs, technical staff in a number and with qualifications and experience acceptable to both the Borrower and the Bank.

2. For the purposes of implementing Part III. (a) of the Project, the Borrower shall, through MSN, monitor the implementation of the PHAs and compliance with the PHA Performance Indicators, on a periodic basis, all under terms acceptable to the Bank.

3. (a) The Borrower shall, through MSN, jointly with the Bank and not later than thirty months after the Effective Date, review the PHAs, the PHA Eligible Operational Costs and the Unit Costs, and adjust them as necessary, in a manner satisfactory to the Bank.

(b) Without limitation to the provisions of subparagraph (a) the Borrower may, through MSN, propose the Bank additional reviews of the PHAs, the Eligible Operational Costs and the Unit Costs earlier or later than as set forth in such subparagraph, and after such reviews adjust them as necessary, in a manner satisfactory to the Bank.

4. Without limitation to the provisions of Article V of the General Conditions, the Borrower shall, through MSN, carry out the Project in accordance with an operational manual, satisfactory to the Bank, containing, *inter alia*:

(a) the terms of reference, functions and responsibilities for the personnel of the CU and the MSPs responsible for the coordination, monitoring and evaluation of the Project;

(b) the criteria, detailed rules and procedures for PHA implementation, the PHA Eligible Operational Costs, the Unit Costs, and the system to monitor compliance of the PHA Performance Indicators;

(c) procedures for procurement of goods, works and services, as well as for financial management and audits of the Project;

(d) the indicators to be used in the monitoring and evaluation of the Project (including the PHA Performance Indicators);

(e) draft models for the Umbrella Agreements and Annual Performance Agreements;

(f) flow and disbursement arrangements of Project funds, including the reimbursement mechanisms of the PHA Eligible Operational Costs based on Unit Costs;

(g) the Indigenous Peoples Planning Framework, including criteria to ensure adequate and culturally appropriate access by indigenous peoples to the Project; and

(h) the Environmental Action Plan.

5. (a) The Borrower shall, through MSN, establish and thereafter maintain operative guidelines (the Provincial Operative Guidelines), satisfactory to the Bank, which shall contain those chapters of the Operational Manual of direct concern to the Participating Provinces and their role in the implementation of the Project. Said operative guidelines shall be an annex to the Umbrella Agreement to be entered into between the Borrower, through MSN, and each of the Participating Provinces.

(b) Except as the Bank shall otherwise agree, the Borrower shall, through MSN or otherwise, not amend, waive or fail to enforce the Operational Manual or the Provincial Operative Guidelines, or any provision thereof. In case of any conflict between the provisions of this Agreement and those of the Operational Manual or the Provincial Operative Guidelines, the provisions of this Agreement shall prevail.

6. For the purposes of implementing the Project the Borrower shall, through MSN:

(a) enter into an agreement (the Umbrella Agreement) with each Participating Province, setting forth the technical, financial, administrative, safeguard and fiduciary aspects of the national and provincial participation in the implementation of the Project;

(b) every year, starting immediately after the Effective Date for the first year of the Project, and on January 1 thereafter, enter into a performance agreement (the Annual Performance Agreement) with each Participating Province, setting forth inter alia: (i) PHAs; (ii) the maximum amount to be made available to the Participating Province; (iii) Unit Costs; (iv) work programs and resource requirements for the

implementation of the PHAs and IPPs when applicable; and (v) activities of the IPPs when applicable; all on terms and conditions acceptable to the Bank;

(c) cause each Participating Province, when applicable in accordance with the provisions of the Indigenous Peoples Planning Framework (through the respective Umbrella Agreement) to carry out the applicable Indigenous Peoples Plan in accordance with its terms;

(d) cause each Participating Province to take all necessary actions to enable the Borrower to comply with its obligations under Sections I, II, and IV of this Schedule, including those set forth or referred to in the General Conditions, in respect of the carrying out of the Project as it may apply to the assistance provided by the respective Participating Province; and

(e) (i) exercise its rights and carry out its obligations under each Umbrella Agreement and each Annual 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, not assign, amend, abrogate, repeal, terminate, waive or fail to enforce any Umbrella Agreement and/or Annual Performance Agreement or any provision thereof.

7. (a) The Borrower shall, through MSN, make available the PHA Eligible Operational Costs to a Participating Province, only after said Participating Province has fulfilled the requirements set forth in the Loan Agreement and the Operational Manual in order to become a Participating Province. Such PHA Eligible Operational Costs shall be made, inter alia, under the following terms and conditions: (i) the maximum amount to be made available annually to each Participating Province shall be set forth in the respective Annual Performance Agreement and will be calculated in accordance with the criteria set forth in the Operational Manual; (ii) the Participating Province shall comply with the PHA Performance Indicators set forth in the respective Umbrella Agreement and Annual Performance Agreement, and inform MSN of the compliance thereof; (iii) no amounts of PHA Eligible Operating Costs shall be made available by MSN after thirty months from the Effective Date to a Participating Province unless the MSN has verified, based on the report provided by the Concurrent Auditor, that the PHA Performance Indicators set forth for the first 24 months of Project implementation have been met by such Province. In the event of non-compliance with any of the PHA Performance Indicators, the amounts allocated shall thereafter be reduced on the basis of a 25% reduction for each Performance Indicator not complied by the respective Participating Province; and (iv) in the event that by 36 months after the Effective Date, any of the Participating Provinces which had not met the PHA Performance Indicators as required in paragraph (iii) above, shall then have met the respective non-performing PHA Performance Indicators, the payment of PHA Eligible Operating Costs will be accordingly increased.

(b) For the purposes of the verification procedure referred to in (iii) above and of Part II (a) of the Project, the Borrower shall, through MSN, appoint under terms of

reference satisfactory to the Bank and thereafter maintain during the execution of Part II (a) and Part III of the Project, an independent auditing firm with qualifications and terms of contracting satisfactory to the Bank (the Concurrent Auditor) responsible for performing *inter alia* verifications on: (i) the PHA Performance Indicators, and (ii) the establishment of the monitoring systems under Part II (a) of the Project, all in a manner satisfactory to the Bank.

8. The Borrower shall, through MSN:

(a) not later than November 15 of each year during Project implementation, starting November 15, 2007, furnish to the Bank for its approval, an annual implementation plan, each said plan to include, *inter alia*: (i) the Project activities to be carried out by the Borrower, through MSN, during the calendar year following the presentation of each said plan; and (ii) the procurement plan for each said calendar year; and

(b) thereafter implement each said annual implementation plan, approved by the Bank, in accordance with its terms.

9. The Borrower shall, through MSN, not later than January 31, 2008, create and thereafter maintain throughout Project implementation, specific national budget line entries in its annual budget in order to record all expenditures of the Project.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

1. The Borrower shall, through MSN, 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 the indicators set forth in the Operational Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than two months after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall 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, through MSN, prepare and furnish to the Bank not later than forty-five days after the end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.

3. The Borrower shall, through MSN, have its Financial Statements 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.

Section III. Procurement

A. General

1. **Goods, Non-Consultants' Services and Works.** All goods and works 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 Schedule.

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 Schedule.

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, Non-Consultants' Services and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, non-consultants' services and works shall be procured under contracts awarded on the basis of International Competitive Bidding which may, at the Borrower's option be subject to Domestic Preference, as per paragraphs 2.55 and 2.56 of the Procurement Guidelines.

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

<u>Procurement Method</u>
(a) Limited International Bidding
(b) National Competitive Bidding
(c) Shopping
(d) Direct Contracting

3. The following provisions shall apply to the procurement of goods, works and services (including consulting services):

(a) Foreign and local service providers, consultants and suppliers shall not be required: (i) to register; or (ii) to establish residence in Argentina or in a Province; or (iii) enter into association with other national or international bidders as a condition for submitting bids or proposals.

(b) In works, the price adjustment mechanism agreed upon between the Bank and the Borrower for National Competitive Bidding will apply.

(c) Invitations to bid, bidding documents, minutes of bid opening, requests for expressions of interest, and contract award reports of all goods, works and services, including consultants, shall be published in the web page of ONC, in a manner acceptable to the Bank. The bidding period shall be counted from the date of publication of the invitation to bid or the bidding documents, whichever is later, to the date of bid opening.

(d) Witness prices shall not be used as a parameter for a bid evaluation or contract award.

(e) Bidders and consultants shall not be allowed to review or make copies of others bidders' bids or consultants' proposals, as the case may be.

(f) The Borrower shall: (i) supply the Bank's publicly accessible Procurement Plans Execution System with the information contained in the initial Procurement Plan within 30 days after such plan has been approved by the Bank; and (ii) update the Procurement Plan at least biannually or as required to reflect the actual Project implementation needs and progress and supply the Bank's Procurement Plans Execution System with the information contained in the updated Procurement Plan immediately thereafter.

(g) A two-envelope system for procurement will not be used for procurement of goods, works and services (other than consultant services).

(h) For contracts for goods, works and services, other than consulting services, "the most convenient" bid shall be the one that has been determined to be

substantially responsive and has been determined to be the lowest evaluated bid, provided that further the bidder is determined to be qualified to perform the contract satisfactorily.

(i) The lowest evaluated bidder shall not be required to reduce its bid as a condition of contract award.

(j) National Competitive Bidding procedures would be modified in order to make them identical to International Competitive Bidding procedures, exception made of the following features: (i) advertisement may be limited to the national press or official gazette, and the ONC website; (ii) the Borrower's currency may be used for the purposes of bidding and payment; (iii) the bidding period (from the date of publication of the invitation to bid or the date that the documents are available, whichever is later, to the date of bid opening) may be reduced to 30 days; and (iv) the INCOTERM clause Delivery Duty Paid (DDP) may be used for the procurement of goods.

(k) Consultants shall not be required to submit bid or performance securities.

(l) In information technology procurement, the Borrower's criterion for determining the eligibility of computer manufacturers established in ETAP will not apply.

(m) In medical supplies procurement, the Borrower will promote the signing of integrity pacts with suppliers as part of the procurement arrangements.

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) Consultant's Qualifications
(b) Least-Cost Selection
(c) Single Source
(d) Comparison of qualifications of at least three individuals

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts 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 (a) Article II of the General Conditions, (b) this Section, and (c) 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 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.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed
(1) Consultants services, Training, goods, non-consultants’ services and works (excluding those covered by Categories (2), (3), (4) and (5) below)	67,300,000	100%
(2) Eligible Medical Supplies:		
(a) First Allocation	35,000,000	100%
(b) Second Allocation	27,000,000)	100% of the applicable amount as per paragraph B.1. (b) (i) below
(c) Third Allocation	24,000,000)	
(d) Fourth Allocation	4,000,000)	
(3) Project Operating Costs	1,100,000	

Category	Amount of the Loan	Percentage of
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	Allocated (expressed in USD)	Expenditures to be financed
(4) Public Health Activities	40,000,000	100% of the Unit Costs of the PHA Eligible Operational Costs paid by MSN to a Participating Province as per the terms of the respective Umbrella Agreement
(5) Avian Influenza Pandemic Action Plan and Health Emergency and/or Natural Disasters Preparedness Action Plan	20,000,000	100% of costs of goods and services required for the respective Action Plan
(6) Refund of Project Preparation Advance	1,600,000	Amount payable pursuant to Section 2.07 (a) of the General Conditions
(7) Front-end Fee	0	Amount payable pursuant to Section 2.04 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(8) Premia for Interest Rate Caps and Interest Rate Collars	0	Amount due under Section 2.08 (c) of this Agreement
TOTAL AMOUNT	220,000,000	

(a) the term “Project Operating Costs” means the reasonable cost of recurrent expenditures of MSN and MSPs (including the CU) in Project implementation (excluding PHAs) such as consumable items, utilities and supplies, travel costs for supervision in the field, which would not have been incurred absent the Project;

(b) the term “Training” means expenditures (other than those for consultants’ services and for PHAs) incurred by MSN to finance reasonable transportation costs and per-diem of trainees and trainers (if applicable) and rental of training facilities, materials and equipment under the Project; and

(c) the terms “First Allocation”, “Second Allocation”, “Third Allocation”, and “Fourth Allocation” mean the amounts allocated for expenditures for Eligible Medical

Supplies incurred until: (i) December 31, 2007 for the First Allocation, (ii) December 31, 2008, and December 31, 2009 for the Second and Third Allocations, respectively, and (iii) the Closing Date for the Fourth Allocation.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made:

(a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$ 44,000,000 may be made for payments made prior to this date but after October 9, 2006, for Eligible Expenditures in respect of Categories (2) and (4);

(b) (i) for expenditures made under Category (2) (b), (c) and (d) (Eligible Medical Supplies Second, Third and Fourth Allocations) as follows:

(A) for the Second Allocation and Third Allocation unless the Concurrent Auditor has certified the number of Monitoring Systems installed during the preceding calendar year. The maximum amounts to be disbursed in respect for each allocation shall be:

(I) for the Second Allocation: \$25,000,000 if Monitoring Systems have been installed and are operational in 6 Participating Provinces; \$27,000,000 and any unwithdrawn amount of the First Allocation if Monitoring Systems have been installed and are operational in more than 6 Participating Provinces; or \$23,000,000 if Monitoring Systems have been installed and are operational in less than 6 Participating Provinces; and

(II) for the Third Allocation: \$21,000,000 if Monitoring Systems have been installed and are operational in 12 Participating Provinces; \$24,000,000 and any unwithdrawn amount of the First Allocation or Second Allocation if Monitoring Systems have been installed and are operational in more than 12 Participating Provinces; or \$18,000,000 if Monitoring Systems have been installed and are operational in more than 6 and less than 12 Participating Provinces; and

- (B) for the Fourth Allocation the Loan proceeds available in Category (2) and through reallocations from other Categories or other means approved by the Bank.
- (ii) For purposes of this subparagraph (b), Monitoring Systems means the systems to be installed by the Participating Provinces following terms of reference satisfactory to the Bank to monitor the use of medical supplies for three of the Priority Public Health Programs;
- (c) under Category (5) unless the respective Action Plan has been approved by the Bank; and
- (d) under Category (2), excluding the First Allocation, and (4) unless the Concurrent Auditor has been employed in a manner acceptable to the Bank.

2. The Borrower and the Bank hereby agree that, in the event that any of the Action Plans referred to in Parts II (b) (i) and (ii) of the Project are not carried out in whole or in part and any Loan proceeds allocated to Category (5) remain unwithdrawn by a date 30 months after the Effective Date, the Bank may, at the request of the Borrower reallocate such amounts to Category (2) for the financing of Eligible Medical Supplies under the Fourth Allocation provided that Monitoring Systems have been installed in more than 20 Participating Provinces.

3. The Closing Date is December 31, 2011.

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 March 15 and September 15 Beginning March 15, 2012 through September 15, 2021	5%

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: (i) 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 (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

APPENDIX

Section I. Definitions

1. “Action Plan” means any of the Avian Influenza Pandemic Action Plan or the Health Emergency and/or Natural Disasters Preparedness Action Plan.
2. “AIDS” means Acquired Immune Deficiency Syndrome.
3. “Annual Performance Agreement” means each agreement referred to in Section I. 6. (b) of Schedule 2 to this Agreement.
4. “Avian Influenza Pandemic Action Plan” means a plan for avian influenza control and human pandemic preparedness and response designed to assist in the prevention, containment, treatment, control and eradication of avian influenza.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “Concurrent Auditor” means the independent auditing firm mentioned in Section I. 7. (b) of Schedule 2 to this Agreement.
7. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
8. “CU” means the unit referred to in Section I. 1. (a) of Schedule 2 to this Agreement.
9. “DOT” means directly observed treatment of tuberculosis.
10. “Eligible Medical Supply” means any medical supply listed in the Operational Manual, which excludes pesticides and antiretrovirals.
11. “Emergency Decree” means the decree or MSN’s resolution issued for the declaration of either an avian influenza health epidemic, emergency or a natural disasters emergency.
12. “Environmental Action Plan” means the plan for health care waste management, and screening and carrying out of laboratory works set forth in the Operational Manual.
13. “ETAP” means the set of technical standards applicable to public sector procurement of information technology, which is updated from time to time by the Borrower’s Information Technology Office.

14. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005.
15. “Health Emergency and/or Natural Disasters Preparedness Action Plan” means a plan to address: (i) epidemic disease outbreaks other than avian flu; (ii) mass emergencies; and (iii) public health emergencies, caused by floods, earthquakes, twisters or other natural disasters, including measures for preparedness for subsequent emergencies.
16. “Healthy Municipalities Strategy” means the strategy set forth in the MSN’s document entitled “*Municipios y Comunidades Saludables*”, dated November 2004.
17. “INCOTERMS” means the universally recognized set of definitions of international commercial terms developed by the International Chamber of Commerce (ICC) in Paris, France.
18. “Indigenous Peoples Plan” or “IPP” means any of the plans prepared and carried out following the requirements of the Indigenous Peoples Planning Framework.
19. “Indigenous Peoples Planning Framework” means the framework for preparation of Indigenous Peoples Plans by the relevant Participating Provinces set forth in the Operational Manual.
20. “MSN” means *Ministerio de Salud de la Nación*, the Borrower’s Ministry of Health.
21. “MSP” means *Ministerio de Salud Provincial* (or its equivalent in each Province), each of the Borrower’s Participating Provinces’ Ministries of Health.
22. “NCD” means Non-Communicable Diseases.
23. “ONC” means *Oficina Nacional de Contrataciones*, the Borrower’s National Contracting Board operating under the *Jefatura de Gabinete*, the Borrower’s Chief of Cabinet of Ministers Office.
24. “Operational Manual” means the manual referred to in Section I. 4. of Schedule 2 to this Agreement and approved by the Bank on October 13, 2006.
25. “Participating Province” means any Province or the Autonomus City of Buenos Aires (*Ciudad Autónoma de Buenos Aires*) that has fulfilled the requirements of the Loan Agreement and the Operational Manual to be eligible to participate and receive funds from the Project.

26. “PHA” or “Public Health Activity” means any public health activity aimed at improving and expanding the delivery of the Priority Public Health Programs and Priority Public Health Functions, which is eligible for financing out of the proceeds of the Loan in accordance with the provisions of the Operational Manual.
27. “PHA Eligible Operational Cost” means an operating cost of a PHA eligible for financing out of the proceeds of the Loan on a Unit Cost basis in accordance with the provisions of the Operational Manual.
28. “PHA Performance Indicator” means any of the following four indicators set forth in an Umbrella Agreement: immunization coverage, disease control as per established norms, tuberculosis cases receiving DOTs, and incremental membership as per the Healthy Municipalities Strategy.
29. “Priority Public Health Function” means any of the following 10 functions to be carried out under the Project: monitoring and evaluation, surveillance and disease control, health promotion, social participation, regulation, policy-making, equity promotion, human resource development, quality assurance and public health research.
30. “Priority Public Health Program” means any of the following 10 public health programs to be carried out under the Project: Immunizations, tuberculosis, AIDS and STD, vector-borne diseases, emerging diseases, safe blood supply, emergencies and disasters, non-communicable diseases and risk factors, border health, and reproductive health, and any other program as the Bank may agree.
31. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
32. “Procurement Plan” means the MSN procurement plan for the Project, dated October 9, 2006 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.
33. “Procurement Plans Execution System” means the Bank’s information system for monitoring the procurement processes of Bank-financed projects in Argentina (<http://wbqa.latinvia.com>).
34. “Province” means a political subdivision of the Borrower as per Title Two of the Borrower’s Constitution, and the term “Provinces” means all of said political subdivisions.
35. “Provincial Operative Guidelines” means the operative guidelines referred to in Section I. 5. (a) of Schedule 2 to this Agreement.

36. "STI" means Sexually Transmitted Infections.
37. "Umbrella Agreement" means each agreement referred to in Section I. 6. (a) of Schedule 2 to this Agreement.
38. "Unit Cost" means the unit cost of a PHA Eligible Operating Cost set forth in the Operational Manual, as such Unit Cost may be modified in agreement with the Bank.