

**CONFORMED COPY**

**LOAN NUMBER 7409-AR**

# **Loan Agreement**

**(Second Provincial Maternal-Child Health Investment Project)**

**between**

**ARGENTINE REPUBLIC**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated May 9, 2007**

**LOAN AGREEMENT**

Agreement dated May 9, 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 three hundred million Dollars (\$300,000,000), 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 July 1 and January 1 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the provisions of 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 (as provided in the corresponding Umbrella

Agreements), all 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 through MSN 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 Event of Suspension consists of the following, namely that 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 as payments to or for the benefit of the relevant Participating Province(s).
- 4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement 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 expires on May 2, 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 | 121942-AR | (5411) 43498815 |
| Baires                 |           |                 |

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        | 248423(MCI) or | 1-202-477-6391 |
| Washington, D.C. | 64145(MCI)     |                |

AGREED at Buenos Aires, Argentina, 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/ Axel van Trotsenburg  
Authorized Representative

## SCHEDULE 1

### Project Description

The objectives of the Project are: (a) to increase access by eligible uninsured mothers and children to basic health services; and (b) to strengthen the incentive framework for efficiency and focus on results between the national level and the Eligible Provinces and among Eligible Provinces and service providers by linking financing to both services actually rendered to the target population and to the achievement of the MCHIP results as reflected by the selected ten tracers of the *Trazadoras* Matrix.

The Project constitutes the second phase of the Program, and consists of the following parts:

#### Part 1: Implementation of the Maternal-Child Health Insurance Program

- (a) Making of Capitation Payments for MCHIP services.
- (b) Strengthening of the capacity of public Authorized Providers within the Participating Provinces, through the provision of medical equipment, ambulances and communication equipment.
- (c) Strengthening of the management and oversight institutional capacity of the MSPs in respect of the Authorized Providers' activities, through the provision of technical assistance and specialized training including, *inter alia*: development of annual performance agreements with MSN and Authorized Providers; development and implementation of contracting and payments systems involving such providers; and development and implementation of outreach and service delivery strategies and mechanisms to rural and indigenous people and other excluded populations.
- (d) Strengthening of the public Authorized Providers' capacity to diagnose, manage and deliver the eligible health services included in the *Nomenclador Unico*, through the provision of specialized training, including training in, *inter alia*, the use of specialized equipment, technical maternal-child care practices, and adaptation of practices to the needs of indigenous peoples.
- (e) Upgrading and expanding of the MSN and MSP information systems for the monitoring and implementation of the MCHIP, through the provision of technical assistance and acquisition and use of specialized information technology equipment.
- (f) Strengthening the public Authorized Providers' management capacity as it relates to areas such as billing, and development and implementation of provider data systems through the provision of technical assistance and training.

Part 2: Strengthening National and Provincial Ministries of Health Regulatory and Public Health Oversight Capacity

Strengthening of the capacity of the MSN and the MSPs to accommodate the demands generated by the MCHIP by:

- (a) Reorganizing MSPs' and MSN's mandates, staffing and relationships.
- (b) Improving epidemiological information, financial and human resource management systems.
- (c) Streamlining the regulatory and planning capacity of MSN and its dependent public health program units.
- (d) Carrying out specialized studies essential for MSN policy formulation as may be proposed by the Borrower and agreed to by the Bank.

Part 3: Communications and Community Outreach

(a) Dissemination of detailed information about the MCHIP among major stakeholders such as the populations of the Eligible Provinces, medical profession, and insurance agency managers and staff, while providing opportunities for feedback and dialogue.

(b) Community outreach to increase participation of the targeted population by providing:

- (i) practical information on: (A) the beneficiaries' rights to services; (B) the package of basic services included in the MCHIP; (C) the methods of enrolment; and (D) the location, times and names of the Authorized Providers; and
- (ii) support to: (A) community contact groups responsible for disseminating information and receiving and reacting to feedback to provide an element of citizen control; and (B) provincial and national media communications campaigns, all including tailored strategies for indigenous peoples.

Part 4: Program Monitoring, Evaluation and Concurrent Auditing

Strengthening the capacity of the MSN and the MSPs to monitor, evaluate and audit the MCHIP through the provision of technical assistance and support for the

carrying out of auditing services under the Project, purchasing of software and equipment, and the provision of specialized training.

Part 5: Project Management

Strengthening of the NHSPT and PHSPTs, through the provision of technical assistance and the financing of operating costs.



## SCHEDULE 2

### Project Execution

#### **Section I. Implementation Arrangements**

1. For the purposes of assisting the MSN in the overall management of the Project, the Borrower, through MSN, shall:

(a) maintain throughout the execution of the Project, within the MSN, a national health services purchasing team (the NHSPT) to manage Project implementation on behalf of MSN with functions and responsibilities acceptable to the Bank and staffed with a coordinator, technical experts 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 create and maintain throughout the execution of the Project, within the respective MSPs, provincial health services purchasing teams (the PHSPTs), with functions and responsibilities acceptable to both the Borrower and the Bank and with staff in number and with qualifications and experience acceptable to both the Borrower and the Bank.

2. For the purposes of implementing Part 1. (a) of the Project, the Borrower shall, through MSN:

(a) prepare, and thereafter maintain during the execution of the Project, a list of eligible health services (the *Nomenclador Unico*), to be provided by Authorized Providers acceptable to the Bank; and

(b) develop a matrix of ten (10) agreed service production goals (the *Trazadoras Matrix*), for the purposes of monitoring such production goals and transferring the Capitation Payments on a periodic basis to the Participating Provinces, all under terms of reference acceptable to the Bank.

3. The Borrower, through MSN, and the Bank shall jointly review once every year the Capitation Payments amount, the eligible health services included in the *Nomenclador Unico* and the *Trazadoras Matrix* and adjust them as necessary in a manner satisfactory to the Bank.

4. Without limitation of the provisions of Article V of the General Conditions, the Borrower, through MSN, shall 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 NHSPT and PHSPTs responsible for the coordination, monitoring and evaluation of the Project; (b) the criteria, detailed

rules and procedures for the Capitation Payments; (c) procedures for procurement of goods 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; (e) draft models for the Umbrella Agreements and Annual Performance Agreements; (f) detailed criteria for the conversion of Eligible Population into Enrolled Population (procedures, activities and monitoring indicators for the enrollment of said population); (g) flow and disbursement arrangements of Project funds; and (h) the Indigenous Peoples Planning Framework, including criteria to ensure adequate and culturally appropriate access by indigenous peoples to the MCHIP.

5. (a) The Borrower, through MSN, shall 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 through MSN shall 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, through MSN, shall:

(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 and use of funds of Parts 1, 2, 3, and 4 of the Project, including, *inter alia*, the obligation of the Participating Provinces to make available the *Padrón de Obra Social Provincial* to MSN, all in terms and conditions acceptable to MSN and the Bank;

(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 annual targets for the *Trazadoras* Matrix, work programs and resource requirements for the implementation of the Project, all on terms and conditions acceptable to the Bank;

(c) cause each Participating Province (through the respective Umbrella Agreement) to: (i) enter into an agreement (or other formal arrangement when the provider is public) with an Authorized Provider (the Authorized Provider Agreement), setting forth, *inter alia*, the Participating Provinces' payment mechanisms with respect to each of the Authorized Providers; and (ii) ensure that payments from each of the

Participating Provinces to the Authorized Providers are solely in payment of services included in the *Nomenclador Unico*, and in no case said payments shall include the payment of salaries, supplies or any other production factor;

(d) cause each Participating Province (through the respective Annual Performance Agreement) to set the prices corresponding to all health services or group of health services contained in the *Nomenclador Unico*, on terms satisfactory to the Borrower, through MSN, and inform the Bank accordingly;

(e) 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;

(f) cause each Participating Province to take all necessary actions to enable the Borrower to comply with its obligations under Sections I, II, III, 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

(g) (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; (ii) cause each Participating Province to exercise its rights and carry out its obligations under each Authorized Provider 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 (iii) 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, through MSN, shall make Capitation Payments available to an Eligible Province, only after said Eligible Province has fulfilled the requirements set forth in the Loan Agreement in order to become a Participating Province. Such Capitation Payments shall be made in the following manner:

(i) during the first six months after the Effective Date, the Borrower, through MSN, shall disburse 100% of the Capitation Payment amount every month immediately after the Participating Province has sent to MSN the registry with the population enrolled in the MCHIP as of the previous month and the MSN has certified and validated said registry; and

- (ii) thereafter, said Capitation Payment shall be made in two installments: (A) 60% every month, immediately after the Participating Province has sent to the MSN the monthly registry with the population enrolled as described in (i) above; and (B) the remaining 40% shall be disbursed initially every four months, after verification of the Participating Province's performance with respect to the *Trazadoras* Matrix, as provided in the Operational Manual, the Provincial Operative Guidelines and the Annual Performance Agreements. The initial 4-months period may be modified if necessary, in a manner satisfactory to both the MSN and the Bank.

(b) For the purposes of the certification and validation procedure referred to in (a)(i) above, the Borrower, through MSN, shall: (i) appoint under terms of reference satisfactory to the Bank and thereafter maintain during the execution of the Project, an independent auditing firm with qualifications and terms of contracting satisfactory to the Bank (the Concurrent Auditor) responsible for performing bimonthly (or any other interval acceptable to the Bank) audits on the *Trazadoras* Matrix and the registry of Enrolled Population; and (ii) use as support documentation the *Padrón de Obra Social Provincial*, the *Padrón de Obras Sociales Nacionales*, and the reports provided by the Concurrent Auditor, all in a manner satisfactory to the Bank.

(c) In case a Participating Province fails to achieve at least four out of the ten services production goals included in the *Trazadoras* Matrix for three consecutive four-month periods, the Borrower, through MSN, may suspend the right of said Participating Province to receive funds under Part 1. (a) of the Project.

8. The Borrower shall through MSN:

(a) not later than November 15 of each year during Project implementation, starting November 15, 2006, furnish to the Bank for its approval, an annual implementation plan (the 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, 2007, create and thereafter maintain throughout Project implementation, specific national budget line entries in its annual budget in order to record all expenditures and Capitation Payments (considered transfers under such budget) incurred during Project implementation.

**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, through MSN, 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. 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 and Non-consulting Services.** All goods and non-consulting 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 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. The following provisions shall apply to the procurement of goods 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) Invitations to bid, bidding documents, minutes of bid opening, requests for expressions of interest, and contract award reports of all goods and services, including consultants' shall be published in the web page of the *Oficina Nacional de Contrataciones*, the Borrower's National Contracting Board (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.

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

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

(e) 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.

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

(g) For contracts for goods 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.

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

(i) 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.

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

**4. 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 and Non-Consulting Services**

**1. International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding procedures, 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 and Non-Consulting Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used.

| <b><u>Procurement Method</u></b> |
|----------------------------------|
| (a) National Competitive Bidding |
| (b) Shopping                     |
| (c) Direct Contracting           |

**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.

| <b><u>Procurement Method</u></b>                               |
|--|
| (a) Least Cost Selection                                       |
| (b) Selection Based on the Consultants' Qualifications         |
| (c) Comparison of qualifications of at least three individuals |
| (d) Sole Source Contracting                                    |

**D. Review by the Bank of Procurement Decisions**

Except as the Bank shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Bank:

(a) each contract for goods and Non-Consultant Services estimated to cost the equivalent of \$500,000 or more;

(b) each contract for consultants' services estimated to cost the equivalent of \$350,000 or more;

(c) the first contract procured under each procurement and selection method irrespective of amount; and

(d) each contract for: (i) Goods and Non-Consultant Services, and (ii) consultants' services, estimated to cost the equivalent of \$50,000 or more, and contracted under Direct Contracting and Sole Source methods, respectively. 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 this Section and such additional instructions as the Bank shall 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. (a) 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:



| <b>Category</b>   | <b>Amount of the Loan Allocated (expressed in USD)</b> | <b>Percentage of Expenditures to be financed</b>   |
|---|--|--|
| (1) Consultants Services (including audits)                 | 35,900,000   | 100%   |
| (2) Goods   | 35,600,000   | 100%   |
| (3) Training  | 5,600,000  | 100%   |
| (4) Capitation Payments                                     | 208,500,000  | 100% until disbursements under this category have reached an amount of US\$128,000,000; 70% until such disbursements have reached an amount of US\$177,000,000; and 40% thereafter |
| (5) Operating Costs   | 400,000  | 85%  |
| (6) Unallocated   | 14,000,000   |  |
| (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  |
| <b>TOTAL AMOUNT</b>   | <b>300,000,000</b>                                     |  |

(b) the term “Operating Costs” means the reasonable cost of recurrent expenditures of MSN in Project implementation such as consumable items, utilities and supplies, which would not have been incurred absent the Project; and

(c) the term “Training” means expenditures (other than those for consultants’ services) 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.

**B. Withdrawal Conditions; Withdrawal Period.**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for expenditures under Category (4) set forth in the table in paragraph 2 (a) above unless the Concurrent Auditor has been appointed.
2. The Closing Date is December 31, 2012.

### 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.

| <b>Principal Payment Date</b>   | <b>Installment Share<br/>(Expressed as a Percentage)</b> |
|---|--|
| On each July 1 and January 1<br><br>Beginning January 1, 2012<br>through July 1, 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. “Annual Implementation Plan” means each implementation plan referred to in Section I.8.(a) of Schedule 2 to this Agreement.
2. “Annual Performance Agreement” means each agreement referred to in Section I.6.(b) of Schedule 2 to this Agreement.
3. “Arg\$” means Argentine Peso, the lawful currency of the Borrower.
4. “Authorized Provider” means any public or private health facility which meets the criteria set forth in the Operational Manual.
5. “Authorized Provider Agreement” means each agreement referred to in Section I.6.(c) of Schedule 2 to this Agreement.
6. “Capitation Payment” means a financial transfer from the Borrower, through MSN, to the Participating Provinces, in an initial amount of Arg\$15 per person enrolled in the MCHIP as of each relevant month, for the payment of services rendered to Enrolled Population and included in the *Nomenclador Unico*.
7. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
8. “Concurrent Auditor” means the independent auditing firm mentioned in Section I.7.(b)(i) of Schedule 2 to this Agreement.
9. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
10. “Eligible Population” means all uninsured pregnant women up to 45 days after delivery or miscarriage, and all uninsured children up to 6 years of age, living within the territory of a Participating Province.
11. “Eligible Province” means the Autonomous City of Buenos Aires (*Ciudad Autónoma de Buenos Aires*) and any of the Provinces other than Catamarca, Chaco, Corrientes, Formosa, Jujuy, Misiones, Salta, Santiago del Estero and Tucumán.

12. “Enrolled Population” means the Eligible Population that has voluntarily enrolled in the MCHIP in a Participating Province.
13. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005.
14. “Indigenous Peoples Planning Framework” means the framework for preparation of Indigenous Peoples Plans by the relevant Participating Provinces set forth in the Operational Manual.
15. “Indigenous Peoples Plan” means any of the plans prepared and carried out following the requirements of the Indigenous Peoples Planning Framework.
16. “INSSJyP” means *Instituto Nacional de Servicios Sociales para Jubilados y Pensionados*, the Borrower’s National Institute for Social Services for Retirees, regulated by the Borrower’s Law No. 25.615 and the Borrower’s Decree No. 1309/02.
17. “MCHIP” means the Borrower’s Maternal and Child Health Insurance Program (*Seguro Materno Infantil*), established by article 3 of the Borrower’s Decree 2724/2002 and implemented through MSN Ministerial Resolution 198 of August 15, 2003.
18. “MSN” means *Ministerio de Salud de la Nación*, the Borrower’s Ministry of Health.
19. “MSP” means *Ministerio de Salud Provincial* (or its equivalent in each Province), each of the Borrower’s Participating Provinces’ Ministries of Health.
20. “National Health Insurance Entities” means the entities referred to in Article 1 of the Borrower’s Law 23.660 (*Agentes del Seguro Nacional de Salud*) and the Borrower’s INSSJyP.
21. “NHSPT” means the team referred to in Section I.1(a) of Schedule 2 to this Agreement.
22. “*Nomenclador Unico*” means the list of eligible health services referred to in Section I.2.(a) of Schedule 2 to this Agreement.
23. “Operational Manual” means the manual referred to in Section I.4. of Schedule 2 to this Agreement and approved by the Bank on September 8, 2006

24. “*Padrón de Obra Social Provincial*” means each of the Participating Provinces’ enrollment databases containing information regarding individuals participating in the Province’s social health insurance scheme.
25. “*Padrón de Obras Sociales Nacionales*” means the national enrollment database consolidating information regarding individuals participating in National Social Health Insurance Entities programs.
26. “Participating Province” means any Eligible Province that has fulfilled the requirements of the Loan Agreement and the Operational Manual to be eligible to participate and receive funds from the Project.
27. “PHSPT” means the Provincial team referred to in Section I.1.(b) of Schedule 2 to this Agreement.
28. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
29. “Procurement Plan” means the MSN procurement plan for the Project, dated August 30, 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.
30. “Program” means the program designed to provide maternal-child health insurance set forth or referred to in the letter dated September 5, 2003 from the Borrower to the Bank.
31. “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.
32. “Provincial Operative Guidelines” means the operative guidelines referred to in Section I.5.(a) of Schedule 2 to this Agreement.
33. “*Trazadoras Matrix*” means the matrix containing ten (10) service production goals referred to in Section I.2.(b) of Schedule 2 to this Agreement.
34. “Umbrella Agreement” means each agreement referred to in Section I.6.(a) of Schedule 2 to this Agreement.