

CONFORMED COPY

LOAN NUMBER 7225-AR

Loan Agreement

(Provincial Maternal-Child Health Investment Project)

between

ARGENTINE REPUBLIC

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated September 7, 2004

LOAN NUMBER 7225-AR

LOAN AGREEMENT

AGREEMENT, dated September 7, 2004, between the ARGENTINE REPUBLIC (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested the Bank to assist in the financing of the Project;

WHEREAS (A) the Borrower has delivered to the Bank a letter dated September 5, 2003, describing the Borrower's Maternal-Child Health Insurance Program (the Program), and declaring the Borrower's commitment to the execution of such Program;

WHEREAS (B) the Borrower has requested that the Bank support the Borrower's execution of the Program through a series of loans over a period of approximately 10 years to be utilized by the Borrower in the implementation of the Program; and

WHEREAS the Bank has agreed, on the basis, *inter alia*, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Fixed-Spread Loans" of the Bank, dated September 1, 1999, with the modification set forth below, constitute an integral part of this Agreement.

Paragraph (c) of Section 9.07 of the General Conditions is modified to read as follows:

"(c) Not later than six months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall

prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan.”

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set and the following additional terms have the following meanings:

(a) “Annual Implementation Plan” means each plan referred to in Section 3.13 of this Agreement;

(b) “Annual Performance Agreement” means the agreement referred to in Section 3.09 (b) of this Agreement;

(c) “Arg\$” means Argentine Peso, the lawful currency of the Borrower;

(d) “Authorized Provincial Health Care Providers” means the public and private provincial health facilities that meet the criteria set forth in the Operational Manual;

(e) “Capitation Payment” means a financial transfer from the Borrower to the Participating Provinces (as hereinafter defined), in an initial amount of Arg\$12 per person enrolled in the MCHIP (as hereinafter defined) as of each relevant month, for the payment of services rendered to Enrolled Population (as hereinafter defined) and included in the *Nomenclador Unico* (as hereinafter defined);

(f) “Concurrent Auditor” means the independent auditor mentioned in Section 3.10(b)(i) of this Agreement;

(g) “Eligible Categories” means Categories (1) through (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement in respect of the Project;

(h) “Eligible Expenditures” means expenditures in respect of the reasonable cost of goods, Capitation Payments and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement;

(i) “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 (as hereinafter defined);

(j) “Eligible Province” means any of the Provinces of *Catamarca, Chaco, Corrientes, Formosa, Jujuy, Misiones, Salta, Santiago del Estero* and *Tucumán*;

(k) “Enrolled Population” means the Eligible Population that has voluntarily enrolled in the MCHIP (as hereinafter defined) in each Participating Province;

(l) “FMR” means each financial monitoring report prepared in accordance with Section 4.02 of this Agreement;

(m) “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;

(n) “MCHIP” means the Borrower’s Maternal and Child Health Insurance Program (*Seguro Materno Infantil*), established by article 3 of Decree 2724/2002 and implemented through Ministerial Resolution 198 of August 15, 2003;

(o) “MSN” means *Ministerio de Salud de la Nación*, the Borrower’s Ministry of Health;

(p) “MSP” means *Ministerio de Salud Provincial* (or its equivalent in each Province), each of the Borrower’s Participating Provinces’ Ministries of Health;

(q) “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;

(r) “*Nomenclador Unico*” means the list of eligible health services referred to in Section 3.05 (a) of this Agreement;

(s) “Operational Manual” means the manual referred to in Section 3.07 (a) of this Agreement;

(t) “*Padrón de Obra Social Provincial*” means each of the Participating Provinces’ enrollment databases containing information regarding individuals and their families participating in the Province’s social health insurance scheme;

(u) “*Padrón de Obras Sociales Nacionales*” means the national enrollment database consolidating information regarding individuals and their families participating in National Social Health Insurance Entities;

(v) “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;

(w) “PMU” means the unit referred to in Section 3.04 (a) of this Agreement;

(x) “PPMU” means the Provincial units referred to in Section 3.04 (b) of this Agreement;

(y) “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;

(z) “Provincial Health Care Provider Agreement” means each agreement referred to in Section 3.09 (c) of this Agreement;

(aa) “Provincial Operative Guidelines” means the operative guidelines referred to in Section 3.08 of this Agreement;

(bb) “Report-based Disbursements” means the Borrower’s option for withdrawal of funds from the Loan Account referred to in Part A.5 of Schedule 1 to this Agreement;

(cc) “Special Account” means the account referred to in Part B to Schedule 1 to this Agreement;

(dd) “*Trazadoras Matrix*” means the matrix containing ten (10) service production goals referred to in Section 3.05 (b) of this Agreement; and

(ee) “Umbrella Agreement” means each agreement referred to in Section 3.09 (a) of this Agreement.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount equal to one hundred thirty-five million eight-hundred thousand Dollars (\$135,800,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the Capitation Payment, the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan, as well as in respect of the fee referred to in Section 2.04 of this Agreement, and any premium in respect of an Interest Rate Cap or Interest Rate Collar payable by the Borrower in accordance with Section 4.04 (c) of the General Conditions.

Section 2.03. The Closing Date shall be December 31, 2009 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a front-end fee in an amount equal to one percent (1%) of the amount of the Loan. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (i) eighty five one-hundredths of one per cent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to, but not including, the fourth anniversary of such date; and (ii) seventy five one-hundredths of one per cent (0.75%) per annum thereafter.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period at the Variable Rate; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and other charges shall be payable semiannually in arrears on February 15 and August 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.09. (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 said 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 Section 2.01 (7) of 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 in respect of 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 such purpose in the table in paragraph 1 of Schedule 1 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. The Borrower declares its commitment to the objectives of the Project, and to this end shall carry out the Project, through the MSN, with the assistance of the Participating Provinces (as provided in the corresponding Umbrella Agreements) with due diligence and efficiency and in conformity with appropriate administrative,

financial, health care and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. Except as the Bank shall otherwise agree procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the future operation of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. For the purposes of assisting MSN in the overall management of the Project, the Borrower shall: (a) maintain throughout the execution of the Project, within MSN, a project management unit (the PMU) 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 Project management units (the PPMUs), with functions, responsibilities and staff in number and with qualifications and experience acceptable to both the Borrower and the Bank.

Section 3.05. For the purposes of implementing Part A.1 of the Project, the Borrower shall:

(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 Provincial Health Care Providers hired by the respective PPMUs, 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 Payment on a periodic basis to the Participating Provinces, all under terms of reference acceptable to the Bank.

Section 3.06. The Borrower 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 as necessary in a manner satisfactory to the Bank.

Section 3.07. Without limitation of the provisions of Section 3.01 of this Agreement, the Borrower shall carry out the Project in accordance with:

(a) an operational manual, satisfactory to the Bank, which shall contain, *inter alia*: (i) the terms of reference, functions and responsibilities for the personnel of the PMU and PPMU responsible for Project coordination, monitoring and evaluation of the Project; (ii) the criteria, detailed rules and procedures for the Capitation Payments; (iii) procedures for procurement of goods and services, as well as for financial management and audits of the Project; (iv) the indicators to be used in the monitoring and evaluation of the Project; (v) draft models for the Umbrella and Annual Performance Agreements; (vi) detailed criteria for the conversion of Eligible Population into Enrolled Population, including procedures, activities and monitoring indicators for the enrollment of said population. Such criteria shall also ensure adequate and culturally appropriate access by indigenous peoples to the MCHIP; and (vii) flow and disbursement arrangements of Project funds.

(b) Except as the Bank shall otherwise agree, the Borrower 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.

Section 3.08. The Borrower shall prepare 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 and each of the Participating Provinces.

Section 3.09. For the purposes of implementing Part A.1 of the Project the Borrower shall:

(a) enter into an agreement (the Umbrella Agreement) with each Participating Province, setting forth the technical, financial, administrative and fiduciary aspects of the national and provincial participation in the implementation and use of funds of Parts A, B, C, and D of the Project, including the obligation of each of the Participating Provinces to make available the *Padrón de Obra Social Provincial* to the Borrower, all in terms and conditions acceptable to the Borrower and the Bank.

(b) every year, starting immediately after the Effective Date for the first year of the Project, and on January 1st 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 in terms and conditions acceptable to the Bank;

(c) cause each Participating Province (through the respective Umbrella Agreement) to: (i) enter into an agreement with an Authorized Provincial Health Care Provider (the Provincial Health Care Provider Agreement), setting forth, *inter alia*, the Participating Provinces' payment mechanisms with respect to each of the Authorized Provincial Health Care Providers; and (ii) ensure that payments from each of the Participating Provinces to the Authorized Provincial Health Care 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*, in terms satisfactory to both the Borrower and the Bank; and

(e) (i) exercise its rights and carry out its obligations under each Umbrella Agreement and each Annual Performance Agreement in such 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 Provincial Health Care Provider Agreement in such 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, the Borrower shall not assign, amend, abrogate, repeal, terminate, waive or fail to enforce any Umbrella Agreement and/or Annual Performance Agreement or any provision thereof.

Section 3.10. (a) The Borrower shall make Capitation Payments available to an Eligible Province, but only after said Eligible Province has fulfilled the requirements set forth in Sections 3.09 (a) and 3.09 (b) of 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 shall disburse 100% of the Capitation Payment amount every month immediately after the Participating Province has sent to the Borrower the registry with the population enrolled in the MCHIP as of the previous month and the Borrower 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 Borrower 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 Borrower and the Bank.

(b) For the purposes of the certification and validation procedure referred to in (a)(i) above, the Borrower shall: (i) appoint and thereafter maintain during the execution of the Project, unless the Bank otherwise agrees, an independent auditor (the Concurrent Auditor) responsible for performing quarterly (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 service production goals included in the *Trazadoras* Matrix for three consecutive four-months periods, the Borrower may suspend the right of said Participating Province to receive funds under Part A.1 of the Project.

Section 3.11. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis the implementation of the Project and the achievement of the objectives thereof, in accordance with the indicators set forth in the Operational Manual, all in a manner satisfactory to the Bank;

(b) by March and September of each year during the execution of the Project, furnish to the Bank a semi-annual report, of such scope and in such detail as the Bank shall request, and based on the monitoring and evaluation carried out pursuant to paragraph (a) of this Section, on the progress of the Project during the six-month period preceding the date of such report;

(c) include in the progress report to be furnished to the Bank by December 31, 2006 pursuant to paragraph (b) of this Section, a report on the progress achieved in the carrying out of the Project since its beginning and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of its objectives; and

(d) review with the Bank, by March 31, 2007 or such later date as the Bank may request, the progress report referred to in paragraph (c) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of its objectives, based on the conclusions and recommendations of said report and the Bank's views on the matter.

Section 3.12. The Borrower shall conduct a mid-term review with the Bank, by not later than March 31, 2007 of the progress of the Project, based on an assessment with terms of reference acceptable to the Bank, as well as the reports referred to in Section 3.11 of this Agreement.

Section 3.13. The Borrower shall: (a) not later than November 15 of each year during Project implementation, starting November 15, 2004, 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 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.

Section 3.14. The Borrower shall develop, set up and use a procurement information system acceptable to the Bank, to store and periodically update procurement information under the Project.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

- (b) The Borrower shall:
- (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank), audited in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;
 - (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Bank): (A) certified copies of the

financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Bank), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and

- (iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of reports referred to in Part A.5 of Schedule 1 to this Agreement (Report-based Disbursements), the Borrower shall:

- (i) retain, until at least one year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (ii) enable the Bank's representatives to examine such records; and
- (iii) ensure that such reports are included in the audit for each fiscal year (or other period agreed to by the Bank), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in Section 3.11 the Borrower shall prepare and furnish to the Bank a Financial Monitoring Report, in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period

from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Bank not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional event is specified, 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).

Section 5.02. Pursuant to Section 7.01(k) of the General Conditions, the following additional event is specified, namely, that an event referred to in Section 5.01 of this Agreement shall, during a simultaneous period of 90 days, continue with respect to all Participating Provinces.

ARTICLE VI

Effective Date. Termination

Section 6.01. The following are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) that the Operational Manual has been approved by the Bank and adopted by the Borrower;

(b) that the *Nomenclador Unico* has been approved by the Bank and adopted by the Borrower;

(c) that the *Trazadoras Matrix* has been approved by the Bank and adopted by the Borrower; and

(d) that the Annual Implementation Plan for the first year of the Project has been approved by the Bank.

Section 6.02. The date of December 6, 2004 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Economy and Production of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

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

Cable address:	Telex:	Facsimile:
MINISTERIO DE ECONOMIA Baires	121942-AR	(5411) 43498815

For the Bank:

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)	(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Buenos Aires, Argentina, as of the day and year first above written.

ARGENTINE REPUBLIC

By /s/ Oscar Tangelson

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Axel Van Trotsenburg

Acting Regional Vice President
Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

A. General

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	Amount of the Loan Allocated (Expressed in <u>Dollars</u>)	% of Expenditures to be <u>Financed</u>
(1) Consultants' services, including auditing services	16,279,000	95%
(2) Goods	17,273,000	80%
(3) Training	3,322,000	80%
(4) Capitation Payments	90,400,000	100% until disbursements under this category have reached an amount of US\$56 million, 70% until disbursements have reached an amount of US\$78 million, and 40% thereafter.

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(5) Operating Costs	900,000	75% until disbursements under this category have reached an amount of US\$ 600,000, 60% until disbursements have reached an amount of US\$ 750,000 and 45% thereafter.
(6) Premia for Interest Rate Caps and Interest Rate Collars	-0-	Amount due under Section 2.09 (c) of this Agreement
(7) Front-end fee	1,358,000	Amount due under Section 2.04 of the Loan Agreement
(8) Unallocated	6,268,000	
TOTAL	<u>135,800,000</u> =====	

2. For the purposes of this Schedule:

(a) the term “operating costs” means the reasonable cost of recurrent expenditures required for the operations of the PMU and other agencies of the Borrower involved in Project implementation such as consumable items, utilities and supplies, which would not have been incurred absent the Project; and

(b) the term “Training” means expenditures (other than those for consultants’ services) incurred by the Borrower 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.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for: (a) expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding \$13,000,000 may be made on account of payments made for expenditures before that date but after March 1, 2004 but not earlier than twelve months prior to the date of this Agreement; (b) expenditures under Category (2) set forth in the table in paragraph 1 to this Schedule, unless the system referred to in Section 3.14 of this Agreement is in place; and (c) expenditures under Category (4) set forth in the table in paragraph 1 of this Schedule, unless: (i) the Concurrent Auditor has been appointed; and (ii) the prices for health interventions to be included in the *Nomenclador Unico*, as established in Section 3.09(d) of this Agreement, have been agreed upon for the relevant Participating Province.

4. The 80% “expenditures to be financed” figure for goods in the second column of the table in paragraph 1 of this Schedule is set so as to preclude Loan financing of the applicable Argentine value added tax (currently set at 21%). Therefore, in those cases where the goods procured are exempt from the value added tax (such as when procured through a tax-exempt procurement agent), Loan financing for such goods can be 100% (net of taxes).

5. The Borrower may request withdrawals from the Loan Account to be made on the basis of reports to be submitted to the Bank in form and substance satisfactory to the Bank, such reports to include the FMR and any other information as the Bank shall specify by notice to the Borrower (Report-based Disbursements). In the case of the first such request submitted to the Bank before any withdrawal has been made from the Loan Account, the Borrower shall submit to the Bank only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

B. Special Account

1. The Borrower may open and maintain in Dollars a special deposit account in a commercial bank acceptable to the Bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment.

2. After the Bank has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Loan Account of amounts to be deposited into the Special Account shall be made in accordance with the provisions of the Annex to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank

such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if the Bank, at any time, is not satisfied that the reports referred to in Part A.4 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Bank determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Borrower directly from the Loan Account; or

(c) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Bank shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Bank shall have notified the Borrower and the Guarantor of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Bank shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower and the Guarantor of its determination.

6. (a) If the Bank determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during

the six-month period following such determination, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Loan Agreement.

Annex

to

SCHEDULE 1

**Operation of Special Account
When Withdrawals Are
Report-based Disbursements**

1. Withdrawals from the Loan Account shall be deposited by the Bank into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the reports referred to in Part A.4 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.

SCHEDULE 2

Description of the Project

The objective of the Project is to contribute to the reduction of the infant and maternal mortality rate in the Borrower's territory, as well as to introduce changes in the incentive framework of health care providers in the Borrower's Participating Provinces, through the implementation of the MCHIP.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A: Implementation of the Maternal-Child Health Insurance Program

1. Making of Capitation Payments for MCHIP services.
2. Strengthening of the capacity of authorized Provincial Health Care Providers within the Participating Provinces, through the provision of medical equipment, ambulances and communication equipment.
3. Strengthening of the institutional capacity of the MSPs, through the provision of technical assistance and specialized training.
4. Strengthening of the Authorized Provincial Health Care Providers capacity to diagnose and deliver the eligible health services included in the *Nomenclador Unico*, through the provision of specialized training, including training on, *inter alia*, the use of specialized equipment, technical maternal-child care practices, and adaptation of practices to the needs of indigenous peoples.
5. Upgrading and expanding of the MSN and MSPs 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.

Part B: Strengthening National and Provincial Ministries of Health Stewardship Capacity

Strengthening of the capacity of the MSN and the MSPs to accommodate the demands generated by the MCHIP, through: (i) the provision of technical assistance; (ii) the preparation of strategic studies required for improving health policy; (iii) the purchase and use of office equipment; and (iv) the provision of specialized training.

Part C: Communications and Community Outreach

Dissemination of information about the Project's activities in the Participating Provinces directly benefiting from the Project, as well as the promotion of Eligible Population's enrollment in the MCHIP, with special attention to the dissemination of information regarding services available to indigenous peoples groups, through the provision of technical assistance for the development and implementation of a radio, television and other media campaigns, training and organization of workshops.

Part D: Program Monitoring, Evaluation and Concurrent Auditing

Strengthening of 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 E: Project Management and Administration

Strengthening of the PMU and participating PPMUs, through the provision of technical assistance and the financing of operating costs.

* * *

The Project is expected to be completed by June 30, 2009.

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 shall 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) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date, by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Date</u>	<u>(Installment Share Expressed as a %)</u>
On each February 15 and August 15 Beginning August 15, 2009 through February 15, 2019	5%

2. If the proceeds of the Loan shall not 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 as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made 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 shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts 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) Withdrawals made 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 subparagraph (a) of this paragraph 3, if at any time the Bank shall adopt a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such subparagraph 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 principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be 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 said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said 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 principal amount of the Loan withdrawn and outstanding from time to time shall be 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.

SCHEDULE 4

Procurement

Section I. Procurement of Goods

Part A: General

Goods shall be procured in accordance with the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provision shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B:

(a) Grouping of Contracts

To the extent practicable contracts for the provision of goods shall be grouped into bid packages, each estimated to cost \$500,000 equivalent or more.

(b) Preference for Domestically Manufactured Goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost the equivalent of less than \$500,000 per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. Shopping

Goods estimated to cost the equivalent of \$100,000 or less per contract, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

A plan setting forth the contracts for the goods required to carry out the Project during the initial period of at least 18 months shall be furnished to the Bank for its review and approval, in accordance with the provisions of Appendix 1 to the Guidelines. Such plan shall list the proposed methods for procurement of each contract, as permitted under this Schedule 3 of the Loan Agreement, and the related Bank review procedures. The Borrower shall update such plan annually or as needed throughout the duration of the project, always covering the next 18 months period of project implementation. Any revision proposed to such plan shall be furnished to the Bank for its prior approval. Procurement of all goods shall be undertaken in accordance with such plan as shall have been approved by the Bank, and with the provisions of said Appendix 1.

2. Prior Review

The procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply with respect to: (a) all contracts or bid packages for goods procured under Part B of this Section; and (b) the first contract or bid packages for goods procured under Parts C.1 and C.2 of this Section.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and

revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provision shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph: the short list of consultants estimated to cost \$500,000 or less, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services under Part B of the Project, estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Least-cost Selection

Contracts of a standard/routine nature, estimated to cost less than \$50,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraph 3.1 and 3.6 of the Consultants Guidelines.

3. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Bank for its review and approval. Such plan shall set forth: (a) the particular contracts for consulting services required to carry out the project during an initial period of 18 months; (b) the proposed methods for selection of consultant services; and (c) related Bank review procedures. The plan shall be updated annually or as needed throughout the execution of the Project, and each such updating shall be furnished to the Bank for its review and approval. Selection of all consultants' services shall be undertaken in accordance with such selection plan (as updated from time to time) as shall have been approved by the Bank.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$350,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost \$20,000 or more, the terms of reference shall be furnished to the Bank for its prior review and approval and the contract shall be awarded only after said approval shall have been given.

(c) With respect to: (a) each contract for the employment of individual consultants estimated to cost the equivalent of \$100,000 or more; and (b) the first two contracts for the employment of individual consultants estimated to cost the equivalent of \$50,000 or less, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

(d) With respect to each contract for the employment of individual consultants estimated to cost \$20,000 or more, the terms of reference shall be furnished to the Bank for its prior review and approval and the contract shall be awarded only after said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.