

**CONFORMED COPY**

**LOAN NUMBER 8016-PA**

# **Loan Agreement**

**(Enhanced Public Sector Efficiency Technical Assistance Project)**

**between**

**REPUBLIC OF PANAMÁ**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated September 26, 2011**

## **LOAN AGREEMENT**

Agreement dated September 26, 2011, between REPUBLIC OF PANAMÁ (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

### **ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

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

### **ARTICLE II — LOAN**

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of fifty five million Dollars (\$55,000,000), (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount. The Borrower shall pay the Front-end Fee not later than 60 days after the Effective Date.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.
- 2.05. The Payment Dates are May 15 and November 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management, namely: a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed

Rate, or vice versa, or from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread.

- (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.

### **ARTICLE III — PROJECT**

- 3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall:
  - (a) through MEF, carry out Parts 1, 2 (a) of the Project and those Project activities under Part 4 of the Project which fall within the jurisdiction of MEF;
  - (b) cause CGR to carry out Parts 2 (b), 2 (c) and those Project activities under Part 4 of the Project which fall within the jurisdiction of CGR; and
  - (c) cause DGCP to carry out Part 3 of the Project (in partnership with the Borrower’s Procurement Administrative Tribunal with respect to Part 3 (d) of the Project) and those Project activities under Part 4 of the Project which fall within the jurisdiction of DGCP.

All the above in accordance with the provisions of Article V of the General Conditions and the Tripartite Inter-Institutional Agreement.

- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

### **ARTICLE IV — REMEDIES OF THE BANK**

- 4.01. The Additional Events of Suspension consist of the following:
  - (a) CGR Legislation and/or DGCP Legislation have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Bank, the ability of CGR and/or DGCP, as the case may be, to perform any of its obligations under the Tripartite Inter-Institutional Agreement; and
  - (b) CGR and/or DGCP have failed to comply with any of its obligations under the Tripartite Inter-Institutional Agreement.
- 4.02. The Additional Event of Acceleration consists of the following, namely that any event specified in paragraph (b) of Section 4.01 of this Agreement occurs and is continuing for a period of ninety (90) days after notice of the event has been given by the Bank to the

Borrower, unless the Borrower establishes, satisfactory to the Bank, that the Tripartite Inter-Institutional Agreement has been assigned or transferred to successor entities satisfactory to the Bank.

#### **ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Tripartite Inter-Institutional Agreement has been executed on behalf of the parties thereto; and
  - (b) The Operational Manual has been adopted by the Borrower, through MEF, CGR and DGCP, in a manner acceptable to the Bank.
- 5.02. The Additional Legal Matter consists of the following, namely that the Tripartite Inter-Institutional Agreement has been duly authorized or ratified by the Borrower and are legally binding upon MEF, CGR and DGCP, in accordance with its terms.
- 5.03. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline shall be 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 Financing which shall expire on September 3, 2012.

#### **ARTICLE VI — REPRESENTATIVE; ADDRESSES**

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

6.02. The Borrower's Address is:

Ministerio de Economía y Finanzas  
Dirección de Crédito Público  
Vía España, Calle 52  
Edificio OGAWA, 4to Piso  
Panamá, República de Panamá  
Facsimile: (507) 507-7200

6.03. The Bank's Address is:

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

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

AGREED at the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF PANAMÁ

By /s/ Mario E. Jaramillo  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ C. Felipe Jaramillo  
Authorized Representative

## SCHEDULE 1

### Project Description

The objective of the Project is to assist public agencies of the Borrower in producing, using and disseminating timely and quality performance information, thereby allowing a more efficient, transparent and accountable use of the Borrower's public budget funds.

The Project consists of the following parts:

#### **Part 1: Strengthening Performance-Based Budget Management and Evaluation**

The provision of support to MEF, including, goods, IT equipment, operating costs, training and technical assistance for the carrying out of activities aimed at:

- (a) improving the institutional and technical capacities of MEF for performance-based strategic planning and budgeting in order to create conditions for enhancing the quality of public spending, including, *inter alia*: (i) strengthening and harmonizing institutional planning and budgeting frameworks; (ii) organizational strengthening and re-designing of MEF and other sector planning and budgeting responsible units within the Borrower's central government structure; (iii) introducing annual and multi-annual budget planning and programming tools; (iv) defining and institutionalizing methodologies for strategic planning and budgeting; and (v) developing technical, managerial and organizational capacities for result-based planning and budgeting; and
- (b) supporting the development and institutionalization of monitoring and evaluation functions and systems at the national level and in Pilot Sectors, including, *inter alia*: (i) designing and implementing a national monitoring and evaluation system under MEF coordination and leadership; (ii) designing and implementing pilot monitoring and evaluation systems in Pilot Sectors; (iii) enhancing the production, quality, utilization and availability of performance information; (iv) developing technical, managerial and organizational capacities for the institutionalization of monitoring and evaluation functions and systems; and (v) producing and disseminating methodologies for the institutionalization of monitoring and evaluation functions and systems.

#### **Part 2: New Financial Management Model: Strengthening Budget Execution, Treasury, Accounting and Control**

The provision of support to MEF (only with respect to paragraph (a) below) and CGR, including goods, operating costs, training and technical assistance, for the modernization of the Borrower's current financial management system, through the carrying out of activities aimed at:

- (a) consolidating and integrating all core public financial management processes within the Borrower's central government, focusing on interoperability and integration among selected MEF areas such as budgeting, accounting, treasury, payroll, public procurement, public investment and planning, including, *inter alia*: (i) conceptual and functional designing of a new financial management

system to be used by all public sector agencies; (ii) defining an applicable technological framework (software requirements, IT security policies, software architecture design, server levels agreements for software, hardware and selected services); (iii) analyzing alternatives for implementing the new financial management model; (iv) customizing/constructing information technology systems compatible with the alternative selected under (iii) above; (v) reviewing and updating normative framework supporting the new financial management model; and (vi) supporting the implementation of the new financial management model in all public sector agencies, including the provision of the relevant training to personnel working on such agencies;

- (b) modernizing control systems performed by CGR, through the strengthening of: (i) the Borrower's financial management control framework; (ii) the internal control framework and internal audit functions in the public sector; (iii) CGR's institutional support functions, including human resources, IT, and learning management; (iv) the promotion of public participation in the public financial management oversight, including the strengthening of the existing claims and allegations center concerning public financial mismanagement; and (v) the public accounting standards in coordination with MEF; and
- (c) supporting the Borrower's statistical capacity, through: (i) the provision of technical assistance for the improvement of national accounts and survey data; (ii) the provision of training to enhance INEC's capacities; and (iii) the acquisition of the necessary software and hardware to upgrade INEC's systems and capacity to produce, analyze and disseminate statistics.

### **Part 3: Strengthening Public Procurement and Contracting Capacity**

The provision of support to DGCP, including goods and IT equipment, training and technical assistance, for the reform of the Borrower's public procurement process, through the carrying out of activities aimed at:

- (a) supporting the institutional strengthening of DGCP, as well as building the capacity of public procurement officials, including, *inter alia*: (i) the development of a curriculum to support the professional development of procurement public officials in line with the business needs of the different government procurement organizations, in partnership with INADEH; (ii) the development and implementation of an educational campaign for suppliers and civil society; (iii) the development of a business continuity model including all aspects related to the security and integrity of the system, along with a document management system; (iv) the creation of a supplier registry and the required management tools to ensure its efficient operation and connection with existing government systems within the Borrower's central government; and (v) the development of a demand-driven approach to carry out specific efficiency analysis to identify opportunities for savings and efficiency gains;
- (b) supporting the ongoing legal and regulatory reforms to pursue the modernization of the Borrower's public procurement system and processes, including, *inter alia*: (i) the drafting of a new procurement law, the necessary regulations and manuals;

- (ii) the development of training and educational materials on the application of the new legal framework as well as the necessary training to build the capacity of legal and compliance teams throughout the public service; and (iii) the development of standard bidding documents;
- (c) supporting the ongoing development of the Borrower's e-procurement platform *PanamaCompra version2*, including, *inter alia*: (i) the development of modules to replace the existing electronic catalogs; (ii) the interface with the financial management system and other public sector management systems; (iii) the modernization of office and management systems, including the review and update of the security system, as well as the implementation of new measures to strengthen the integrity of the system; and (iv) the development and implementation of a complaints management system for DGCP, together with the implementation of quality standards such as ISO and the Capability Maturity Model Integration (CMMI); and
- (d) developing a research center in the Borrower's Procurement Administrative Tribunal, including, *inter alia*: (i) the provision of the necessary hardware and software for the set up of a virtual library that will compile best practices in public procurement, as well as relevant doctrine and jurisprudence; and (ii) the carrying out of capacity building activities for public officials, lawyers and civil society stakeholders involved in procurement processes.

#### **Part 4: Creation and Support of Project Management Capacities**

The provision of support to MEF, CGR and DGCP including, *inter alia*, goods and IT equipment, training and technical assistance for the carrying out of adequate management, monitoring, reporting, auditing and evaluation of Project implementation activities, as well as the Borrower's public sector efficiency reform agenda.



## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

1. The Borrower shall ensure that within MEF:
  - (a) responsibility is assigned internally for the overall implementation, coordination, monitoring and reporting of the Project among selected departments and units of MEF described in detail in the Operational Manual and coordinated by DPI; and
  - (b) a team of dedicated professionals is established within DPI and thereafter maintained, throughout Project implementation, to provide administrative support to the technical focal points in the departments and units concerned of Project implementation. Said team shall further:
    - (i) operate with structure, mandate and resources satisfactory at all times to the Bank; and consist of staff, each having qualifications and experience satisfactory to the Bank, including among them, as the case may be, specialists selected and appointed in accordance with the relevant provisions of Section III of Schedule 2 to this Agreement; and
    - (ii) be entrusted with exclusive responsibility for ensuring the overall Project coordination in collaboration with DGCP and CGR Project implementing teams, including in respect of the financial and audit aspects thereof and the monitoring and evaluation of the Project.
2. The Borrower shall cause CGR and DGCP respectively to establish and maintain throughout Project implementation, Project implementing teams consisting of professionals having qualifications and experience at all times satisfactory to the Bank, including among them, as the case may be, specialists selected and appointed in accordance with the relevant provisions of Section III of Schedule 2 to this Agreement.
3. The Borrower shall, not later than thirty (30) days after the Effective Date, establish and thereafter maintain throughout Project implementation, a Reform Steering Committee:
  - (a) responsible for, *inter alia*: (i) the Project progress oversight, orientation and coordination; (ii) addressing constraints in Project implementation; and (iii) approving annual operating plans for the Project; and
  - (b) chaired by the Minister of Economy and Finance and comprising representatives of MEF, CGR and DGCP, all as further set forth in the Operational Manual.

## **B. Inter-Institutional Agreements**

1. To facilitate the carrying out of CGR and DGCP's respective Parts of the Project, the Borrower, through MEF, shall make part of the proceeds of the Loan available to CGR, and DGCP, under an inter-institutional agreement, entered into, on behalf of the Borrower, among MEF, CGR and DGCP, under terms and conditions approved by the Bank, ("Tripartite Inter-Institutional Agreement"), which shall include, *inter alia*, the following:
  - (a) the arrangement for the harmonization, rationalization and consolidation by MEF of all financial managements issues, audit and reporting for the Project;
  - (b) the requirement that CGR and DGCP promptly inform MEF and the Bank of any condition which interferes with, or threatens to interfere with the performance of their respective obligations under the Project; and
  - (c) the requirement that CGR and DGCP shall comply with the pertinent provisions of this Agreement, the Operation Manual and the Anti-Corruption Guidelines.
2. The Borrower shall exercise its rights and carry out its obligations under the Tripartite Inter-Institutional Agreement, in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, terminate, waive or fail to enforce the Tripartite Inter-Institutional Agreement or any of their provisions.

## **C. Operational Manual**

1. The Borrower, through MEF shall adopt, and shall cause CGR and DGCP to adopt an operational manual for the Project ("Operational Manual"), satisfactory in form and substance to the Bank, and consisting of different schedules setting forth, respectively, rules, methods, guidelines, specific development plans, standard documents and procedures for the carrying out of the Project, including the following: (a) the detailed operational strategy for Project coordination; (b) the detailed description of Project implementation activities, their sequencing and the prospective timetable and benchmarks in relation thereto; (c) the qualification, experience, functions, responsibilities, structure of key staff of DPI in MEF, CGR and DGCP assigned to Project execution, the detailed composition of the Reform Steering Committee under the Project, all the institutional arrangements in respect thereof and the ensuing assignment of respective responsibilities for the Project activities, including, *inter alia*, the financing, procurement, reporting and auditing aspects thereof; (d) the Project administrative, financial, accounting, auditing, procurement and disbursement procedures, including all pertinent standard documents and model contracts in relation thereto; (e) the overview of planned capacity building and training activities, including workshops and study tours, to be carried out for purposes of the Project; (f) the final form of the interim unaudited financial reports and Financial Statements for the Project and the terms of reference for the financial audits of the Project; (g) the plan for the monitoring, evaluation and supervision of the Project; and (h) the performance indicators for the Project.

2. The Borrower shall, through MEF, and shall cause CGR and DGCP to: (a) maintain the Operational Manual throughout Project implementation; (b) take all measures necessary to ensure that the Project is carried out in conformity with the Operational Manual; and (c) only amend the Operational Manual, from time to time, with the Bank's prior written consent. Except as the Bank shall otherwise agree, the Borrower shall not, and shall cause CGR and DGCP not to, (including not allowing any party to any contract or agreement entered into with CGR and DGCP for purposes of this Loan), amend, abrogate, waive or fail to enforce the Operational Manual or any provisions thereof.
3. In the event of a conflict between any provision of the Operational Manual and any one under this Agreement, the provisions of this Agreement shall prevail.

**D. Other Implementation Arrangements**

1. The Borrower shall cause DGCP, not later than 3 months after the Effective Date, to enter into an inter-institutional agreement, satisfactory to the Bank, with the Procurement Administrative Tribunal therein allowing DGCP to execute Project activities under Part 3 (d) of the Project, on behalf and for the benefit of the Procurement Administrative Tribunal, all in compliance with the terms and conditions of this Agreement, the Tripartite Inter-Institutional Agreement, the Operation Manual and the Anti-Corruption Guidelines.
2. MEF shall ensure throughout Project implementation that DPI prepares and submits regular overall Project progress reports to the Reform Steering Committee for its review.

**E. Anti-Corruption**

The Borrower shall, through MEF, and shall cause CGR and DGCP to, ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

**Section II. Project Monitoring, Reporting and Evaluation**

**A. Project Reports**

The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators acceptable to the Bank and 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 one month after the end of the period covered by such report.

**B. Financial Management, Financial Reports and Audits**

1. The Borrower shall maintain in MEF and shall cause to be maintained in CGR and DGCP respectively 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:

- (a) through MEF, prepare for the respective parts of the Project implemented by MEF, interim unaudited financial reports covering the semester, in form and substance satisfactory to the Bank; and
  - (b) cause CGR and DGCP each to prepare for the respective parts of the Project that they are implementing interim unaudited financial reports covering the semester, in form and substance satisfactory to the Bank, and thereafter through MEF, furnish to the Bank not later than one month after the end of each calendar semester, as part of the Project Report for the Loan, the said unaudited financial reports for MEF together with the interim unaudited financial reports for CGR and DGCP respectively.
3. The Borrower shall, through MEF, have the Financial Statements for the Project, including the relevant parts of the Project implemented by MEF, CGR and DGCP respectively, audited in accordance with the provisions of Section 5.09 (b) of the General Conditions for the Loan Agreement. Each audit of the Financial Statements described heretofore shall cover the period of one fiscal year of the Borrower. The audited Financial Statements described heretofore 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-consultant services.** All goods and Non-consultant services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

#### **B. Particular Methods of Procurement of Goods and Non-consultant Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, and Non-consultant Services shall be procured under contracts awarded on the basis of International Competitive Bidding based on SBDs previously agreed with the Bank and subject to the following additional procedures which shall equally apply in respect of any procurement of goods and Non-consultant Services carried out using NCB and Shopping procedures mentioned in the next paragraph 2 (a) below:

- (a) foreign bidders shall not be required to be registered with local authorities as a prerequisite for bidding;
- (b) no bids shall be rejected, and no provisional awards shall be made at the time of bid opening;
- (c) the invitation to bid shall not establish, for purposes of acceptance of bids, minimum or maximum amounts for the contract prices; and
- (d) the invitation to bid shall not require mandatory attendance to a pre-bid meeting as a condition to bid.

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

<b>Procurement Method</b>
(a) National Competitive Bidding (NCB), subject to: (i) the additional procedures set forth in Section III B. 1 above; and (ii) the additional requirement that the time allowed for preparation and submission of bids shall not be less than four weeks, unless otherwise agreed by the Bank.
(b) Shopping, subject to: (i) the additional procedures set forth in Section III B. 1 above and (ii) the additional requirement that a minimum of three quotations shall be obtained as a condition to award the contract.
(c) Direct Contracting, subject to the Bank's prior consent.

**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>Procurement Method</b>
(a) Quality-Based Selection.
(b) Selection Based on the Consultants Qualifications.
(c) Selection under a Fixed Budget.
(d) Least Cost Selection.
(e) Single Source Selection.
(f) Procedures set forth in paragraphs 5.2, 5.3 and 5.4 of the Consultant Guidelines for the selection of Individual Consultants.

3. **Special Provisions.** With respect to each method set forth in this Section III. C, the procurement of consultants' services shall be carried out subject to the following additional provisions, namely, that foreign consultants shall not be required to:
  - (a) furnish any certificate issued by a local authority about their legal capacity or tax status for the purposes of submitting a proposal; and
  - (b) submit their proposals in person.

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

1. The Procurement Plan shall set forth all contracts, including those which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.
2. In case of conflict between the provisions of the Procurement Plan and the provisions of this Agreement, the provisions of this Agreement shall prevail.

**Section IV. Withdrawal of Loan Proceeds**

**A. General**

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank may specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions).
2. The proceeds of the Loan shall be disbursed in Dollars unless otherwise agreed between the Borrower and the Bank and so reflected in the additional instructions referred in Section IV. A. 1 immediately above. Consistently with Section 2.05 of the General Conditions, the Borrower shall use an amount equivalent to the amount in Dollars provided under the Loan Agreement to finance Eligible Expenditures.
3. The following table specifies the categories of Eligible Expenditures that may be financed with an amount equivalent to the amount in Dollars provided under the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, Non-consultant Services, Training, Operating costs and consultants' services for Parts 1 and 2 (a) of the Project	28,000,000	100%

(2) Goods, Non-consultant Services, Training, Operating costs and consultants' services for Parts 2 (b) and (c) of the Project	11,500,000	100%
(3) Goods, Non-consultant Services, Training, Operating costs and consultants' services for Part 3 of the Project	15,000,000	100%
(4) Goods, Non-consultant Services, Operating costs, Training and consultants' services for Part 4 of the Project	500,000	100%
<b>TOTAL AMOUNT</b>	<b>55,000,000</b>	

For the purposes of this Schedule:

- (a) "Training" means reasonable expenditures incurred by the Borrower for the carrying out of training activities under the Project, including reasonable costs of travel and *per diem* of trainers and trainees, rental of training facilities and equipment, refreshments, publishing services and printing training materials.
- (b) "Operating Costs" means incremental expenditures incurred by the Borrower for recurrent costs associated with the implementation of the Project, including: (i) office supplies, rental of office facilities and utilities; (ii) transportation costs, travel and *per diem* cost for technical staff which will carry supervisory activities under the Project; and (iii) vehicle operation, maintenance, and insurance costs.
- (c) "Non-consultant Services" means services to be contracted for, *inter alia*, communication campaigns, including surveys and outreach programs and IT connections.

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
  - (a) from the Loan Account until the Bank has received payment in full of the Front-end Fee; or
  - (b) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$1 million (one million Dollars) equivalent may be made for payments made twelve months prior to this date but on or after January 24, 2011, for Eligible Expenditures.
2. The Closing Date is September 30, 2016.

### 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.

<b>Principal Payment Date</b>	<b>Installment Share (Expressed as a Percentage)</b>
On each May 15 and November 15 Beginning May 15, 2015 through May 15, 2035	2.38%
On November 15, 2035	2.42%

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.
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.

## APPENDIX

### Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “CGR” means *Contraloría General de la República*, the Borrower’s Office of the Comptroller, or any successor thereto acceptable to the Bank.
4. “CGR Legislation” means Law No. 32 of the Borrower dated November 8, 1984, and its subsequent modifications, which establishes CGR as an independent entity discharging the duties of general comptroller’s office over Borrower’s funds.
5. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006 and May 2010.
6. “DGCP” means *Dirección General de Contrataciones Públicas*, an autonomous entity responsible for public procurement of all public sector entities of the Borrower or any successor thereto acceptable to the Bank.
7. “DGCP Legislation” means Law No. 22 dated June 27, 2006, and its subsequent modifications, establishing DGCP as an independent entity subject to the supervision of CGR and the Borrower’s policies issued by MEF.
8. “DPI” means *Dirección de Programación de Inversiones*, the Department of Investment Planning of MEF.
9. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 31, 2010.
10. “INADEH” means *Instituto Nacional de Formación Profesional y Capacitación para el Desarrollo Humano*, the Borrower’s national institute for professional training and human development.
11. “INEC” means *Instituto Nacional de Estadística y Censo*, the Borrower’s national institute of statistics and census.
12. “Inter-Institutional Agreement” means the agreement referred to in Section I.D.1 of Schedule 2 to this Loan Agreement pursuant to which the Procurement Administrative Tribunal allows DGCP to execute Project activities under Part 3 (d) of the Project.
13. “ISO” means International Organization for Standardization.

14. "IT" means information technology.
15. "MEF" means the Borrower's Ministry of Economy and Finance.
16. "Operational Manual" means the manual for the Project referred to in Section I. C. 1 of Schedule 2 to this Agreement.
17. "Pilot Sectors" means the Borrower's Ministry of Health, Ministry of Social Development, Ministry of Government and any other ministry proposed by the Borrower and acceptable to the Bank.
18. "Procurement Administrative Tribunal" means a tribunal of the Borrower, responsible for deciding and arbitrating public procurement issues and cases.
19. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004 and revised in October 2006 and May 2010.
20. "Procurement Plan" means the Borrower's procurement plan for the Project, dated January 27, 2011 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
21. "Reform Steering Committee" means the committee referred to in Section I. A. 3 of Schedule 2 to this Agreement.
22. "Tripartite Inter-Institutional Agreement" means the agreement among the Borrower, through MEF, CGR and DGCP and referred to in Section I. B of Schedule 2 to this Agreement.