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**LOAN NUMBER 7717-TU**

# **Loan Agreement**

**(Health Transformation and Social Security Reform Project)**

**between**

**REPUBLIC OF TURKEY**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated June 30, 2009**

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**LOAN NUMBER 7717-TU**

**LOAN AGREEMENT**

Agreement dated June 30, 2009, between the REPUBLIC OF TURKEY (“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.

**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-six million one hundred thousand Euro (EUR 56,100,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount. The Borrower shall pay the Front-end Fee not later than sixty (60) days after the Effective Date.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.
- 2.05. The Payment Dates are February 15 and August 15 in each year.

- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

### **ARTICLE III - PROJECT**

- 3.01. The Borrower declares its commitment to the objectives of the Project and the Program. To this end, the Borrower shall carry out Parts A and B of the Project through MOH and cause Part C of the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article V of the General Conditions and the Project 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 Event of Suspension consists of the following, namely, that the Social Security Administration Law No. 5502 dated May 20, 2006 has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.

- 4.02. The Additional Events of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Bank to the Borrower.

**ARTICLE V - EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Subsidiary Loan Agreement has been executed on behalf of the Borrower and the Project Implementing Entity.
- 5.02. The Additional Legal Matter consists of the following, namely, that the Subsidiary Loan Agreement has been duly authorized by the Borrower and the Project Implementing Entity and is legally binding upon the Borrower and the Project Implementing Entity in accordance with its terms.
- 5.03. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.

**ARTICLE VI - REPRESENTATIVE; ADDRESSES**

- 6.01. The Borrower's Representative is the Undersecretary of Treasury.
- 6.02. The Borrower's Address is:

Basbakanlik  
Hazine Mustesarligi  
Inonu Bulvari  
Emek – Ankara  
Turkey

Facsimile:  
(312) 212-8550

- 6.03. The Bank's Address is:

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

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



AGREED at Ankara, Republic of Turkey, as of the day and year first above written.

REPUBLIC OF TURKEY

By /s/ Memduh Aslan Akçay

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Keiko Sato

Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objectives of the Project are: (i) to increase the effectiveness of the SSI and MOH in formulating and implementing reforms in provider payments and health systems performance; and (ii) piloting output-based financing for non-communicable diseases (NCD) prevention and control.

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

#### Part A: Support for MOH's Strategic Plan

1. Provision of equipment, technical assistance, technical services and training for the MOH to scale-up the family medicine program, expanding to all eight-one (81) provinces of the Borrower; and support to the MOH to implement preventive Health care services for the control of communicable and non-communicable diseases.
2. Provision of technical assistance and training in support of the implementation of hospital reforms.
3. Provision of technical assistance and training for the MOH to build capacity of the MOH's Performance Management and Quality Development Department and enhance its role in the implementation of performance-based payment systems and in regulation of health providers' services.
4. Provision of equipment, technical assistance, technical services and training in support of restructuring of the MOH, including: establishment of the National Medicine and Medical Devices Agency, the National Cancer Institution, an internal inspection structure, and institutionalizing of the MOH's monitoring and evaluation functions; strengthening of strategic management capacity to implement strategic financing methods in the field of performance-based budgeting; and ensure standardization, continuity and coordination in this field, and in-service training programs.
5. Provision of technical assistance and training to MOH to implement the National Medicine Policy which aims at ensuring rational drug use, increasing the quality of medicine, vaccines and biological products, implementing institutional arrangements for applying "good clinical practices" and "good manufacturing practices", and increasing capacity to implement market surveillance and inspection.
6. Provision of goods, technical assistance and training in support of expansion of the MOH National Health Information System.

7. Provision of equipment, technical assistance, technical services and training to the MOH to strengthen inter-sectoral cooperation and align health policies with international standards, especially, the European Union guidelines and standards.

8. Provision of goods, technical assistance and training for the Refik Saydam Hygiene Center Presidency to convert it into the national public health agency responsible for all key health functions on the territory of the Borrower.

#### Part B: Piloting Output-Based Financing for Preventive Health Services

1. Provision of Capitation Payments to eligible Family Medicine Practices for carrying out services related to NCD prevention and control.

2. Provision of goods, technical assistance, technical services and training for capacity building of relevant institutions at the provincial (Community Health Centers) and central (MOH) levels to successfully carry out the activities under Part B(2).

#### Part C: Capacity Building of the SSI

1. Provision of technical assistance and training for SSI, with the objective of enhancing SSI's capacity for the implementation of universal health insurance, in the following areas: (a) implementation and promotion of universal health insurance regulations, health provider contract management, invoice control, benefits package, monitoring and evaluation; and (b) expenditure management in SSI, including expenditure tracking and reporting and strengthening of relevant expenditure databases, supporting the Reimbursement Commission of SSI in improving their capacity to make payment decision based on available evidence-based criteria.

2. Provision of support to the SSI's Project Implementation Unit for effective Project management.



**SCHEDULE 2****Project Execution****Section I. Implementation Arrangements****Institutional Arrangements - Subsidiary Loan Agreement**

1. To facilitate the carrying out of Part C of the Project by the Project Implementing Entity, the Borrower shall make part of the proceeds of the Loan available to the Project Implementing Entity under a subsidiary agreement between the Borrower and the Project Implementing Entity (“Subsidiary Loan Agreement”) satisfactory to the Bank.
2. The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and shall maintain the Subsidiary Loan Agreement as agreed with the Bank.
3. The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines which are applicable to all IBRD loans and IDA credits and grants.

**B. Implementation Arrangements for Part B.1 of the Project**

For the purposes of implementing Part B.1 of the Project:

1. The Borrower, through MOH, shall carry out Part B.1 of the Project in accordance with the Operational Manual, and the Borrower shall maintain said Operational Manual in form and content satisfactory to the Bank and shall not assign, amend, abrogate or waive the Operational Manual without obtaining the prior approval of the Bank.
2. The Borrower, through MOH, shall cause a respective Governorship to enter into contractual arrangements with the eligible members of Participating Family Medicine Practices (PHC Services Provider Agreements), satisfactory to the Bank, setting forth, *inter alia*: (a) a list of PHC services to be provided by Participating Family Medicine Practices; (b) prices for the PHC services to be provided by Participating Family Medicine Practices; (c) the payment mechanism for the Capitation Payments; (d) the monitoring and reporting requirements; and (d) a set of targets and goals against which the Capitation Payments will be made.
3. The Borrower shall cause selected MOH Provincial Health Directorates: (a) to exercise their rights and comply with their obligations under each PHC Services Provider Agreement in such a manner as to accomplish the objectives of the Project; (b) to cause each Participating Family Medicine Practice and its eligible members to exercise its

rights and carry its obligations in such a manner as to accomplish the objectives of the Project; and (c) except as the Bank shall otherwise agree, not to assign, amend, abrogate, or waive any PHC Services Provider Agreement or any provisions thereof.

4. The Borrower, through MOH Provincial Health Directorates, shall make Capitation Payments available to each eligible member of Participating Family Medicine Practice in the following manner:

(a) each eligible member of the Participating Family Medicine Practice shall submit through FMIS, on a monthly basis, a report in a format specified in the Operational Manual, about PHC services performed during the preceding month;

(b) the report submitted by the eligible members of the Participating Family Medicine Practice pursuant to paragraph (a) above shall be verified by the MOH Provincial Health Directorate which shall thereafter transmit monthly reports with its approval and notification on the calculated Capitation Payments for the respective Participating Family Medicine Practices to the MOH Primary Health Care General Directorate;

(c) upon approval of the Capitation Payments by the MOH Primary Health Care General Directorate, the respective MOH Provincial Health Directorates shall make Capitation Payments, on a monthly basis, to eligible members of the Participating Family Medicine Practice;

(d) upon receipt of the order from the MOH Primary Health Care General Directorate, supported by the documentation specified in the Operational Manual, disbursements for the Capitation Payments from the Designated Account shall be made by the MOH to the respective MOH Provincial Health Directorates bank accounts which shall be opened by each respective MOH Provincial Health Directorate in their own names for the purposes of making Capitation Payments.

5. For the purposes of verification and validation procedures referred to in paragraph 4 above, the Borrower, through MOH: (a) shall establish and maintain during the execution of the Project, a team of auditors (audit group), with qualification and terms of reference satisfactory to the Bank, responsible for carrying out continuous operational review of the activities under Part B.1 of the Project; and (b) shall submit quarterly reports of said auditors to the Bank.

6. The Borrower, through MOH, shall carry out activities under Part B.1 of the Project on a pilot basis in two (2) provinces selected in consultation with the Bank. Not later than 24 months after the Effective Date, the Borrower and the Bank shall conduct a joint evaluation of the piloted activities under Part B.1 of the Project and shall identify appropriate follow-up actions based on the results of such evaluation.

**Section II. Project Monitoring Reporting and Evaluation****A. Annual Implementation Plans and Project Reports**

1. Not later than July 30 of each year during the implementation of the Project, or such later date as may be agreed by the Bank, the Borrower, through MOH, shall submit to the Bank for its review and approval a draft of the Annual Implementation Plan and a Procurement Plan for the upcoming calendar year, prepared in accordance with the format agreed upon between the Borrower and the Bank, and which shall include projected activities and corresponding costing to be financed with the Loan proceeds for the respective year.

2. The Borrower, through MOH, 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 the indicators agreed with the Bank. 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.

3. For purposes of Section 5.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than six (6) months after the Closing Date.

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

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

2. Without limitation on the provisions of Part A of this Section, the Borrower, through MOH, shall prepare and furnish to the Bank, not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.

3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

**Section III. Procurement****A. General**

1. **Goods and Technical Services.** All goods and technical 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 Technical Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and technical services shall be procured under contracts awarded on the basis of International Competitive Bidding Competitive Bidding.

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

<b>Procurement Method</b>
(a) National Competitive Bidding subject to the additional provisions set forth in the Annex to this Schedule 2
(b) Shopping
(c) Direct Contracting

**C. Particular Methods of Procurement of Consultants’ Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>
(a) Qualification-Based Selection
(b) Least-Cost Selection
(c) Individual Consultants
(d) Single Source Selection

#### **D. Training**

Logistical and organizational services for training shall be procured under contracts awarded on the basis of National Competitive Bidding and Shopping procedures. Training activities in the form of study tours, or participating in national or international workshops and training programs shall be procured in accordance with the procedures agreed with the Bank.

#### **E. Review by the Bank of Procurement Decisions**

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

### **Section IV. Withdrawal of Loan Proceeds**

#### **A. General**

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<b>Category</b>	<b>Amount of the Loan Allocated (Expressed in EUR)</b>	<b>Percentage of Expenditures to be Financed</b>
(1) Goods and Technical Services under Parts A and B.2	8,810,000	100%
(2) Consultants' Services		100%
(a) under Parts A and B.2	23,430,000	
(b) under Part C	2,410,000	
(3) Training and Workshops		100%
(a) under Part A and B.2	17,010,000	
(b) under Part C	600,000	
(4) Capitation Payments under Part B.1	2,990,000	100%
(5) Operating Costs		
(a) under Part A and B.2	770,000	100%
(b) under Part C	80,000	100%
<b>TOTAL AMOUNT</b>	<b><u>56,100,000</u></b>	

3. For the purposes of this Schedule:

(a) the term “training” means expenditures incurred to finance the cost of workshops, training materials, training fees, tuition and related travel expenditures, accommodation and per diem allowances provided to the participants in such training; and

(b) the term “operating costs” means incremental expenditures incurred by MOH and the Project Implementing Entity on account of Project implementation, including: travel costs, lodging and per diem for field trips related to Project implementation, at the rates specified in the Project Financial Management Manual; vehicle rent; supplies and utilities; mail, advertisement costs, translation costs, commercial bank charges, communication costs, office equipment and maintenance, hardware and software, as such costs shall be agreed with the Bank on the annual basis.

**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; and

(b) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed EUR 746,000 equivalent may be made for payments made prior to this date but on or after July 1, 2009.

2. The Closing Date is July 31, 2013.

**ANNEX TO  
SCHEDULE 2**

**Mandatory Provisions for Procurement under Bank-Financed Contracts  
Subject to National Competitive Bidding**

The Borrower shall use the Bank's Europe and Central Asia Region National Competitive Bidding documents template for goods and apply the following provisions in the carrying out of National Competitive Bidding procedures under the Project:

A. Eligibility

Bidding shall not be restricted to domestic bidders. No restriction shall be applied to foreign bidders who wish to submit a bid.

B. Procedures

Invitations to bid shall be advertised in the Official Gazette and in at least one widely circulated national daily newspaper or in an electronic portal of free access allowing a minimum of thirty (30) days for the preparation and submission of bids.

C. Assessment of Bidders' Qualifications

In the procurement of goods and works, where pre-qualification is not used, the qualifications of the bidder who is recommended for award of contract shall be assessed by post-qualification, applying minimum experience, technical and financial requirements which shall be explicitly stated in the bidding documents and which shall be determined by a 'pass/fail' method, not through use of a merit point system.

D. Participation by Government-owned Enterprises

Government-owned enterprises in the Republic of Turkey shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the Government. Furthermore, they will be subject to the same bid and performance security requirements as other bidders.

E. Bidding Documents

Procuring entities shall use the Bank's sample National Competitive Bidding documents for Europe and Central Asia Region for works and goods and shall draft contract and conditions of contract acceptable to the Bank.



F. Bid Evaluation

(a) Evaluation of bids shall be made in strict adherence to the monetarily quantifiable criteria declared in the bidding documents and a merit point system shall not be used.

(b) Extension of bid validity shall be allowed once only for not more than thirty (30) days. No further extensions should be requested without the prior approval of the Bank.

(c) Contracts shall be awarded to qualified bidders having submitted the lowest evaluated substantially responsive bid.

(d) No preference shall apply under National Competitive Bidding.

G. Rejection of All Bids

All bids shall not be rejected and new bids solicited without the Bank's prior written concurrence.

### SCHEDULE 3

#### Amortization Schedule

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

<b>Principal Payment Date</b>	<b>Installment Share (Expressed as a Percentage)</b>
On each February 15 and August 15  beginning February 15, 2015 through August 15, 2038	2.04%
and including on February 15, 2039	2.08%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

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

(b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts

payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

**APPENDIX****Section I. Definitions**

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Capitation Payment” means a monthly financial transfer from the Borrower to an eligible member of the Participating Family Medicine Practice for carrying out services related to NCD prevention and control pursuant to the respective PHC Service Provider Agreement.
3. “Category” means a category set forth in the table in Section IV.A of Schedule 2 to this Agreement.
4. “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.
5. “Designated Account” means an account opened by the Borrower into which the Bank may, at the Borrower’s request, deposit amounts withdrawn from the Loan Account for the purpose of paying for eligible expenditures under the Project.
6. “FMIS” means Family Medicine Information System, an information system within the MOH developed for the family medicine practice implementation.
7. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008) with the modifications set forth in Section II of this Appendix.
8. “MOH” means the Borrower’s Ministry of Health.
9. “NCD” means non-communicable diseases.
10. “Operational Manual” means the manual approved by MOH for implementation of Part B.1 of the Project which sets forth: (a) the criteria, detailed rules and procedures for Capitation Payments, including the methodology for adjusting such payments based on the performance of Participating Family Medicine Practices with respect to the established targets and indicators; (b) templates for PHC Services Provider Agreements; (c) the technical, financial, administrative and fiduciary aspects of implementation of Part B of the Project; and (d) the indicators and procedures to be used for monitoring and evaluation of Part B.1 of the Project.

11. “Participating Family Medicine Practice” means a family medicine practice, as defined in the Borrower’s Law No. 5258 on Piloting of the Family Medicine, dated November 24, 2004, which is eligible, in accordance with the criteria defined in the Operational Manual, to participate in the implementation of Part B.1 of the Project.
12. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
13. “Procurement Plans” mean the Borrower’s and the Project Implementing Entity’s procurement plans for the Project, dated April 28, 2009 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.
14. “Program” means the program of actions, objectives and policies designed to improve the governance, efficiency, user and provider satisfaction, and long-term fiscal sustainability of the health care system in Turkey set forth or referred to in a letter dated March 10, 2004 from the Minister of Health of the Republic of Turkey and a letter dated March 5, 2004 from the Minister of Labor and Social Security of the Republic of Turkey on behalf of the Borrower, transmitted to the Bank for the purposes of Loan 4737-TU (Health Transition Project).
15. “Project Financial Management Manual” means the manual setting forth the Project financial management procedures.
16. “Project Implementing Entity” means the Social Security Institution of the Borrower established pursuant to Law No. 5502 dated May 20, 2006, or SSI.
17. “PHC” means primary healthcare.
18. “PHC Services Provider Agreement” means an agreement between the Governorship and eligible members of Participating Family Medicine Practice referred to in Section I.B.1 of Schedule 2 to this Agreement.
19. “Refik Saydam Hygiene Center Presidency” means the institution established through Law No. 3959 dated January 4, 1941 for research and development functions in the health field, producing reference level services as a state controlled laboratory.
20. “SSI” means Social Security Institution of the Borrower established pursuant to Law No. 5502 dated May, 20 2006 (also referred to as “Project Implementing Entity”).

21. “Subsidiary Loan Agreement” means the agreement referred to in Section I.A of Schedule 2 to this Agreement pursuant to which the Borrower shall make the proceeds of the Loan available to the Project Implementing Entity.

**Section II. Modifications to the General Conditions**

The modifications to the General Conditions are as follows:

1. Paragraph (a) of Section 2.07 is modified to read as follows:

*“Section 2.07. Refinancing Preparation Advance; Capitalizing Front-end Fee and Interest*

(a) If the Loan Agreement provides for the repayment out of the proceeds of the Loan of an advance made by the Bank or the Association (“Preparation Advance”), the Bank shall, on behalf of such Loan Party, withdraw from the Loan Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Loan Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Bank shall pay the amount so withdrawn to itself or the Association, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. Paragraph (l) of Section 7.02 is modified to read as follows:

*“Section 7.02. Suspension by the Bank*

... (l) *Ineligibility.* The Bank or the Association has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to receive proceeds of any financing made by the Bank or the Association or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Association, as a result of a determination by the Bank or the Association that the Borrower or the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Association.”

3. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

- (a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”