

CONFORMED COPY

LOAN NUMBER 7643-PE

Loan Agreement

(Health Reform Program - Second Phase)

between

REPUBLIC OF PERU

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated November 16, 2009

LOAN NUMBER 7643-PE

LOAN AGREEMENT

Agreement dated November 16, 2009, between REPUBLIC OF PERU (“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 fifteen million Dollars (\$15,000,000), 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. The Borrower’s Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is the Borrower’s Minister of Economy and Finance or the Borrower’s Director of Public Indebtedness, or any person whom any of them shall designate in writing.
- 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 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment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 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, through its PCU, carry out the Project in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Event of Suspension consists of the following, namely that the Borrower’s Law No. 26842 of 1997 (*Ley General de Salud*) or the Borrower’s Law No. 27783, dated July 20, 2002 (*Ley de Bases de la Descentralización*) shall

have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower to perform any of its obligations under this Agreement.

- 4.02. The Additional Event of Acceleration consists of the following, namely, that the event specified in Section 4.01 of this Agreement occurs.

ARTICLE V — TERMINATION

- 5.01. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Bank's approval of the Loan which expires on August 17, 2010.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower's representative is its Minister of Economy and Finance, provided that the Borrower's Director of Public Indebtedness may, by him or herself, represent the Borrower to sign amendments to this Agreement which are considered of an administrative and non-financial nature. The signing by such Director of an amendment shall constitute a representation by the Borrower that any such amendment is considered to be administrative and non-financial in nature.

- 6.02. The Borrower's Address is:

Ministry of Economy and Finance
Jr. Junín 319
Lima, Perú

Facsimile: (511) 626-9921

- 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 Lima, Peru, as of the day and year first above written.

REPUBLIC OF PERU

By /s/ Luis Carranza Ugarte
Authorized Representative

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By /s/ C. Felipe Jaramillo
Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are to continue supporting the Borrower's efforts to reduce maternal and infant mortality rates in intervened rural areas in Selected Regions in the Borrower's territory, in particular through: (i) the improvement of family care practices for women (during pregnancy, delivery and breast-feeding) and children under the age of three; (ii) the strengthening of health services networks with capacity to solve obstetric, neonatal and infant emergencies, and to provide comprehensive health services to women (during pregnancy, delivery and breast-feeding) and children under the age of three; and (iii) the supporting of MINSA's governance functions of regulation, quality, efficiency and equity for improving the new health delivery model of maternal and child health care in a decentralized environment.

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

Part 1: Improving Health Practices at the Household Level for Women (during pregnancy, delivery and breast-feeding) and Children Under the Age of Three in Rural Areas of Selected Regions.

- (a) Design, implementation and monitoring of a behavioral change communication and education program aimed to promote healthy practices at the household level including increased demand for health services, focusing on mothers during pre-natal and post-natal periods and children under the age of three, through, *inter alia*: (i) the carrying out of studies to identify current practices, beliefs and attitudes, including the use of health services; (ii) the preparation of behavioral change communication programs tailored by region; (iii) the development and production of culturally sensitive printed and audio-visual materials; (iv) the provision of training to staff from MINSA, DIRESA, networks, micro-networks, as well as community agents for the local implementation of behavioral change communication and education programs; (v) the provision of equipment for dissemination activities; (vi) the carrying out of learning workshops; and (vii) the provision of technical assistance for the implementation of the behavioral change, communication and education program, including monitoring and evaluation.

- (b) Promotion of SIS enrollment rights and identity rights among women during pregnancy, delivering and breast-feeding and children under the age of three, through, *inter alia*: (i) the design and implementation of a campaign promoting SIS enrollment rights and identity rights, including the design, production and dissemination of materials for Selected Regions; and (ii) the provision of training to health staff and local authorities on the promotion of SIS enrollment rights identity rights.

Part 2: Increasing the Capacity to Provide Better Maternal and Child Health Services for the Poor.

- (a) Improvement of the quality of services in health facilities, through, *inter alia*: (i) the carrying out of refurbishing and expanding works in about 115 health facilities, as well as the provision of the necessary medical equipment and communication equipment; and (ii) the provision of technical assistance and training for health personnel to improve the quality of services; and (iii) the inclusion of inter-cultural focus in service provision.
- (b) Provision of support for the integrated health delivery model and the development of support systems to raise the efficiency and effectiveness of health networks, through, *inter alia*: (i) the strengthening of the management systems at network level; (ii) the improvement of the reference and counter-reference system; and (iii) the provision of support for the regulation of the health networks.

Part 3: Strengthening Government Capacities to Offer a More Equitable and Efficient Health System in a Decentralized Environment.

- (a) Provision of support for the development of a regulatory framework and implementation plan to increase quality in the provision of health services in the following areas: (i) accreditation and certification systems; (ii) infrastructure maintenance systems; (iii) reference laboratory systems; (iv) hemotherapy; (v) hospital financing; (vi) pharmaceutical purchasing and logistic systems; and (vii) communication and promotion systems.
- (b) Provision of support to the SIS in the development of the public insurance system, through, *inter alia*: (i) the development of its regulatory framework; (ii) the strengthening of the SIS information system and quality assurance mechanisms; and (iii) the implementation of the SISFOH targeting system to ensure adequate targeting of the health insurance financing in urban areas.

- (c) Provision of support to SIS and SIGA for the strengthening of their monitoring data in order to increase the accountability in the system.
- (d) Provision of support to the decentralization of health services, through, *inter alia*: (i) the provision of support for the continued implementation of the Management Agreements; (ii) the provision of technical assistance and training to MINSA and regional health staff to support the implementation of the Management Agreements; and (iii) the design of an incentive/penalty system to ensure that the Management Agreements are effective instruments to promote decentralization of health services.

Part 4: Project Coordination and Monitoring and Evaluation.

Provision of support for Project coordination, through the provision of technical assistance, financing of incremental operating costs and external and concurrent audits, monitoring and evaluation activities, as well as the provision of the necessary goods and equipment required for such coordination.

SCHEDULE 2**Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements**

1. The Borrower shall, not later than 30 days after the Effective Date, create and thereafter maintain, until completion of the Project, a Project Steering Committee to oversee the implementation of the Project and approve annual operational plans. Said committee shall have membership and functions detailed in the Project Operational Manual and acceptable to the Bank, and shall meet at least once every six months and submit the minutes of said meetings to the Bank not later than one month after each said meeting has taken place.
2. Maintain, until completion of the Project, the unit within MINSA (the PCU), created by the Borrower's Law No. 29258, of September 11, 2008 with staff, structure and functions satisfactory to the Bank, responsible for the management, coordination, supervision, monitoring and evaluation of the Project. Said unit shall have competent staff in adequate numbers (as detailed in the Project Operational Manual) with qualifications and experience satisfactory to the Bank.
3. For purposes of the implementation of the Project, the Borrower shall, through MINSA: (a) maintain its agreements with the Selected Regions for which such agreements, with terms and conditions satisfactory to the Bank, are already in place; and (b) prior to committing Project funds (including Loan proceeds) for Selected Regions for which such agreements are not already in place, enter into such agreements with the relevant Selected Region, with terms and conditions satisfactory to the Bank. All such agreements cited in (a) and (b) herein (the *Convenios de Adhesión*) shall detail the obligations of each Selected Region in the implementation of Parts 1, 2 and 3 of the Project.
4. The Borrower shall exercise its rights under each *Convenio de Adhesión* 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 or waive any *Convenio de Adhesión* or any of its provisions.
5. No later than the mid-term review of the Project, the Borrower shall strengthen and integrate the PCU's financial management system for the Project, in a manner satisfactory to the Bank.

B. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Safeguards and Operational Manual

1. The Borrower shall carry out the Project in accordance with the provisions of:
 - (a) the Environmental Impact Assessment;
 - (b) the Indigenous Peoples Plan; and
 - (c) a manual (the Project Operational Manual), satisfactory to the Bank, that will include, *inter alia*: (i) the procedures for the carrying out, monitoring and evaluation of the Project; (ii) the indicators to be used for Project monitoring and evaluation; (iii) the organizational structure of the Project, including the structure and terms of reference of personnel of the PCU and the composition functions and responsibilities of the Project Steering Committee; (iv) the Project procurement and financial management requirements and procedures; (v) the Project's chart of accounts and internal controls; (vi) the format of: (A) the unaudited interim financial reports referred to in Section II. B.2 of Schedule 2 to this Agreement; and (B) the Financial Statements; (vii) the terms of reference for carrying out the Project audits under Section II.B.3 of Schedule 2 to this Agreement; and (viii) the model form for the *Convenios de Adhesión*. In case of any inconsistency between any provision of the Project Operational Manual and this Agreement, the provision of this Agreement will prevail. Any amendment to the Project Operational Manual can occur only if acceptable to the Bank.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. 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 set forth in the Project 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.
2. 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 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 shall prepare and furnish to the Bank not later than forty five 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 Works.** All goods and works (including 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 Works (Including Non-Consultant Services)

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works (including non-consultant services) shall be procured under contracts awarded on the basis of International Competitive Bidding procedures.

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

<u>Procurement Method</u>
(a) National Competitive Bidding, subject to the additional provisions set forth in Part E of this Section III.
(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.

<u>Procurement Method</u>
(a) Quality-Based Selection
(b) Selection based on the Consultant’s Qualifications
(c) Single Source Selection
(d) Least-Cost Selection
(e) Fixed Budget Selection

D. Review by the Bank of Procurement Decisions

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

E. Special Provisions

1. In addition and without limitation or restriction to any other provisions set forth in this Section or the Procurement Guidelines, the following provisions shall govern the procurement of goods, works and non-consultants’ services with National Competitive Bidding procedures under this Section:
 - (a) Foreign bidders shall not be required to be locally registered as a condition of participation in the selection process.

- (b) No reference value shall be required for publication in the bidding documents.
 - (c) Award of contracts shall be based exclusively on price and, whenever appropriate, shall take into account factors that can be quantified objectively, and the procedure for such quantification shall be disclosed in the invitation to bid.
 - (d) Foreign bidders shall not be required to authenticate (*legalizar*) their bidding documents or any documentation related to such bidding documents with either Peruvian Consulates, the Ministry of Foreign Affairs, or any Peruvian authorities as a prerequisite of bidding.
 - (e) The Borrower, through MINSA, shall use standard bidding documents and standard evaluation formats, all satisfactory to the Bank.
2. In addition and without limitation or restriction to any other provisions set forth in this Section or the Consultant Guidelines, the following provisions shall govern all employment of consultants:
- (a) Foreign consultants shall not be required to be locally registered as a condition of participation in the selection process.
 - (b) Foreign consultants shall not be required to authenticate (*legalizar*) any documentation related to their participation in the selection process with either Peruvian Consulates, the Ministry of Foreign Affairs, or any Peruvian authorities as a condition of participation in said selection process.
 - (c) The Borrower, through MINSA, shall use standard requests for proposals and standard evaluation formats; all satisfactory to the Bank.
 - (d) Foreign consultants, either individuals or firms, shall not be required to pay fees to the Peruvian Consultants' Association that are different from those required for Peruvian consultants.
 - (e) No consultant hired for the Project, at the time he or she is carrying out his or her contractual obligations as consultant, hold civil service office or any other position in any agency of the Borrower, nor shall such consultant have any right to re-entry into any such office or position upon the conclusion of his or her consulting services.

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.

<u>Category</u>	<u>Amount of the Loan Allocated (expressed in USD)</u>	<u>Percentage of Expenditures to be financed</u>
(1) Goods, works, consultants’ services and Training under Part 1 of the Project	2,987,788	100%
(2) Goods, works, consultants’ services and Training under Part 2 of the Project	9,163,781	100%
(3) Goods, works, consultants’ services and Training under Part 3 of the Project	2,594,708	100%
(4) Goods, Consultant’s services, including audits and Operating Costs	253,723	100%
TOTAL AMOUNT	15,000,000	

For the purposes of this Section, the terms:

- (i) “Operating Costs” means the non-consultant expenditures incurred by the Borrower in connection with the daily operation of the PCU, rental and maintenance of equipment and vehicles, rental of office facilities, office utilities, supplies and materials, and domestic travel and per diem of PCU staff, which expenditures would not have been incurred absent the Project; and
- (ii) “Training” means the non-consultant expenditures incurred by the PCU in connection with training activities under the Project, including the rental of facilities, refreshments, training materials and travel and per diem of trainers and trainees.

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 \$1,500,000 equivalent may be made for payments made prior to this date but on or after December 9, 2008, for Eligible Expenditures.
- 2. The Closing Date is January 31, 2015.

SCHEDULE 3**Amortization Schedule**

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

Principal Payment Date	Installment Share (Expressed as a Percentage)
February 15, 2020	3.57%
August 15, 2020	3.57%
February 15, 2021	3.57%
August 15, 2021	3.57%
February 15, 2022	3.57%
August 15, 2022	3.57%
February 15, 2023	3.57%
August 15, 2023	3.57%
February 15, 2024	3.57%
August 15, 2024	3.57%
February 15, 2025	3.57%
August 15, 2025	3.57%
February 15, 2026	3.57%
August 15, 2026	3.57%
February 15, 2027	0%
August 15, 2027	3.57%
February 15, 2028	3.57%
August 15, 2028	3.57%
February 15, 2029	3.57%
August 15, 2029	3.57%
February 15, 2030	3.57%
August 15, 2030	3.57%
February 15, 2031	3.57%
August 15, 2031	3.57%
February 15, 2032	3.57%
August 15, 2032	3.57%
February 15, 2033	3.57%

Principal Payment Date	Installment Share (Expressed as a Percentage)
August 15, 2033	3.57%
February 15, 2034	3.61%

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. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “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.
4. “*Convenios de Adhesion*” means the agreements referred to in Section I.A.3 of Schedule 2 of this Agreement.
5. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008).
6. “Environmental Impact Assessment” means the document prepared by the Borrower, dated February 2005, which sets out the environmental protection measures in respect of the Project, including: (i) a negative list of environmentally sensitive investments ineligible for Project financing; (ii) an environmental screening checklist for Project interventions; (iii) environmental supervision, monitoring and evaluation procedures for the Project; and (iv) measures to be taken to minimize the risk of negative impacts from the disposal of liquid and solid waste (including medical waste), including the development of a waste management manual to be used by all health facilities under the Program.
7. “Indigenous Peoples Plan” means the document prepared by the Borrower, dated June 30, 2006, which sets out the measures to be taken to ensure that indigenous peoples will not be harmed by the Project and to ensure their participation and involvement in the implementation and monitoring of the Project as it affects them.
8. “Management Agreements” means the sectoral agreements entered into by MINSA, the regional governments and the municipal governments, for results-based management and financing of health services.
9. “MINSA” means *Ministerio de la Salud*, the Borrower’s Ministry of Health.

10. “PCU” means the unit referred to in Section I.A.2 of Schedule 2 to this Agreement.
11. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
12. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated December 11, 2008 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.
13. “Program” means the Borrower’s health reform program designed to build an equitable efficient and high quality health sector capable and set forth or referred to in the letter dated November 1, 1999 from the Borrower to the Bank.
14. “Project Operational Manual” means the manual, dated December 5, 2008, referred to in Section I.C.1(c) of Schedule 2 to this Agreement.
15. “Project Steering Committee” means the committee referred to in Section I.A.1 of Schedule 2 to this Agreement.
16. “Selected Regions” means the Borrower’s Departments of *Amazonas, Huánuco, Huancavelica, Ayacucho, Apurímac, Cusco, Puno, Cajamarca* and *Ucayali*, and any other area, acceptable to the Bank, that may be selected by the Borrower.
17. “SIGA” means *Sistema Integrado de Gestión Administrativa*, the Borrower’s management and administration system.
18. “SIS” means *Seguro Integral de Salud*, the Borrower’s integrated public health care insurance created through Law No. 27657, dated January 2002.
19. “SISFOH” means *Sistema de Focalización de Hogares*, the Borrower’s system for household targeting.

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.”

- (b) The definition of the term “Conversion Date” is modified to read as follows:

“‘Conversion Date’ means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines.”