



LOAN NUMBER 8532-PA

Loan Agreement

(Strengthening the Social Protection and Inclusion System Project)

between

REPUBLIC OF PANAMA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated DECEMBER 18, 2015

LOAN AGREEMENT

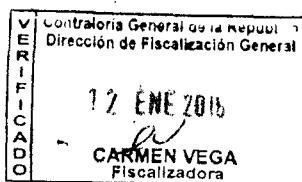
Agreement dated ~~DECEMBER 18~~, 2015, between REPUBLIC OF PANAMA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank hereby agree as follows:

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 seventy five million Dollars (\$75,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The 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 days after the Effective Date.
- 2.04. The Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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.
- 2.06. The Payment Dates are May 15 and November 15 in each year.



- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) 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 (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference 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 or the Reference 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

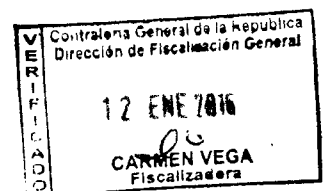
- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project through MIDES, with the assistance of: (i) INADEH for Part 3.1 of the Project; and (ii) MITRADEL for Part 3.2 of the Project in accordance with the provisions of Article 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 — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Condition of Effectiveness consists of the following: namely that the Project Operational Manual is adopted by the Borrower in a manner satisfactory to the Bank.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

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



5.02. The Borrower's Address is:

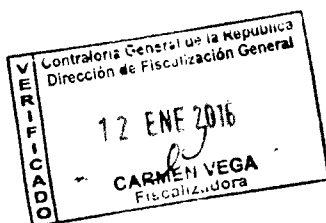
Ministerio de Economía y Finanzas
Dirección de Financiamiento Público
Vía España, Calle 52
Edificio OGAWA, 4to Piso
Panamá, República de Panamá

Facsimile: (507) 507-7200

5.03. The Bank's Address is:

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

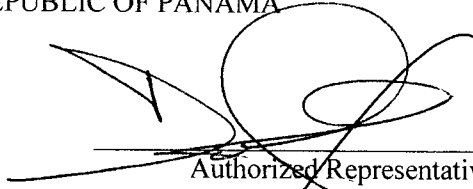
Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391



AGREED at PANAMA CITY, REPUBLIC OF PANAMA, as of the day and year first above written.

REPUBLIC OF PANAMA

By



Authorized Representative

Name: DULCIDIO DE LA GUARDIA

Title: MINISTER OF ECONOMY AND FINANCE

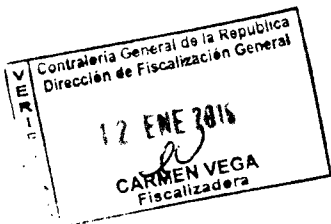
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By


Authorized Representative


Name: ANABELA ABREU

Title: COUNTRY MANAGER



COUNTERSIGNED

General Comptroller of the Republic of Panama

By Authorized Representative 

Name: FEDERICO HUMBERT

Firm: _____

Date: 19 DE FEBRERO DE 2016

SCHEDULE 1

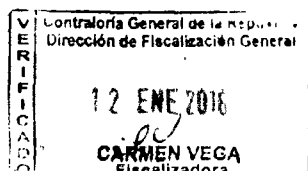
Project Description

The objectives of the Project are to increase the efficiency of the Social Protection System and improve the income generation capacity of the poor and vulnerable.

The Project consists of the following parts:

Part 1. Strengthening and Efficiency of the Social Protection System.

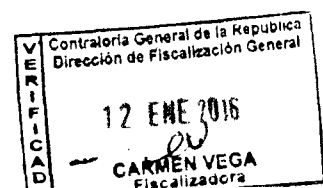
1. Developing a single registry to serve as the social information system of socioeconomic conditions of the poor and vulnerable population in the Borrower's territory through, *inter alia*:
 - (a) the design of a unified information collection form (FUR) to capture socioeconomic information of each household, and to be used across MIDES' CCTs;
 - (b) the design, piloting and operationalization of a PMT instrument that estimates the index of each household's economic status;
 - (c) the design of census and inclusion processes that register new households through:
 - (i) the use of the FUR; and (ii) the ongoing enrolment of new beneficiaries; and
 - (d) the design and implementation of the single registry information system to manage the information collected through the FUR and generate the PMT index for participating individuals and households.
2. Strengthening the management of the MIDES' CCTs through, *inter alia*:
 - (a) the revision of operational processes and operational manuals to: (i) achieve the expected coverage; and (ii) update registration, eligibility and targeting tools;
 - (b) the design of recertification strategies to strengthen the targeting of the MIDES' CCTs;
 - (c) the development and revision of co-responsibility verification strategies for the MIDES' CCTs to ensure: (i) beneficiary compliance; and (ii) that monitoring indicators reflect beneficiary compliance;
 - (d) strengthening the management information systems for the MIDES' CCTs to ensure transparency and monitoring of registration, eligibility, compliance, payments and household changes; and
 - (e) strengthening the Borrower's administrative and fiduciary capacity to carry out Project activities.



3. Strengthening MIDES capacity to monitor and evaluate the MIDES' CCTs through, *inter alia*:
 - (a) staffing MIDES with personnel dedicated to monitoring and evaluation;
 - (b) providing training and capacity building activities to selected MIDES staff;
 - (c) the acquisition of software for statistical analysis;
 - (d) the design and implementation of impact evaluation studies; and
 - (e) coordinating monitoring and evaluation initiatives with other Borrower entities.

Part 2. MIDES Territorial Structure and Direct Family Support.

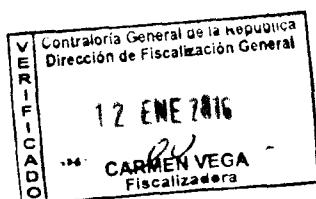
1. Designing and implementing a MIDES territorial strategy to ensure that beneficiaries are supported regularly and the potential problems related to their participation in MIDES' CCTs are promptly addressed through, *inter alia*:
 - (a) the revision of terms of reference of *Promotores* and social workers;
 - (b) the design of a territorial allocation strategy;
 - (c) contracting *Promotores* and social workers for areas under-covered by the existing network;
 - (d) the design and implementation of training programs for *Promotores* and social workers including, *inter alia*, the preparation of training materials and the evaluation of training activities; and
 - (e) financing of Operating Costs related to the provision of direct family support under the MIDES' CCTs.
2. Designing and implementing a citizen feedback mechanism for the MIDES' CCTs through, *inter alia*:
 - (a) the carrying out of a diagnosis study of the existing feedback entry points for the MIDES' CCTs;
 - (b) the design of citizen feedback mechanisms;
 - (c) the development and consultation of user protocols to establish culturally appropriate grievance redress protocols;
 - (d) the development and implementation of awareness campaigns to promote the MIDES' CCTs, including grievance reporting;
 - (e) the financing of Operating Costs and the provision of training to selected MIDES staff to receive, channel and redress grievances according to protocols; and



- (f) monitoring and using feedback data to promote improvements to health, education and payment services.

Part 3. Productive Inclusion Services for the Poor and Vulnerable.

1. Providing technical training to MIDES Participants through:
 - (a) the assessment of local training needs;
 - (b) the preparation and implementation of local training plans;
 - (c) the provision of Stipends to MIDES Participants participating in INADEH training activities;
 - (d) the evaluation of INADEH training activities related to MIDES Participants; and
 - (e) the provision of INADEH Training Payments to INADEH.
2. Facilitating the participation of MIDES Participants in Labor Insertion Programs through:
 - (a) identifying labor insertion opportunities for MIDES Participants;
 - (b) updating the SERPE for the registration of MIDES Participants and registering MIDES Participants in the SERPE;
 - (c) the assessment of requirements for inclusion, and the inclusion of MIDES Participants into Labor Insertion Programs; and
 - (d) the evaluation of the Labor Insertion Program related to MIDES Participants.
 - (e) the provision of MITRADEL Intermediation Payments to the Borrower, through MITRADEL.



SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

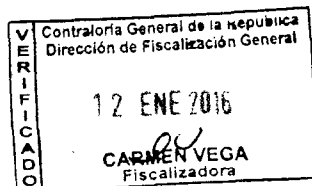
For purposes of carrying out the Project, the Borrower shall ensure that MIDES is operated and maintained with functions, staffing, and responsibilities satisfactory to the Bank, as set forth in the Project Operational Manual.

B. Implementation Agreements

1. To facilitate the carrying out of Part 3.1 of the Project, the Borrower, through MIDES, shall enter into an agreement with INADEH (the INADEH Agreement), under terms and conditions acceptable to the Bank and set forth in the Project Operational Manual, which shall include the following: (a) The Borrower's obligations, through MIDES to: (i) provide INADEH Training Payments to INADEH in accordance with the procedures set forth in the Project Operational Manual; and (ii) provide Stipends to MIDES Participants receiving INADEH training; and (b) INADEH's obligations to: (i) provide technical training and certifications to MIDES Participants; and (ii) carry out its activities under the Project in accordance with the Anti-Corruption Guidelines.
2. To facilitate the carrying out of Part 3.2 of the Project, the Borrower, through MIDES, shall enter into an arrangement with MITRADEL (the MITRADEL Inter-Institutional Agreement), under terms and conditions acceptable to the Bank and set forth in the Project Operational Manual, which shall include the following: (a) The Borrower's obligation, through MIDES, to provide MITRADEL Intermediation Payments to MITRADEL in accordance with the procedures set forth in the Project Operational Manual; and (b) MITRADEL's obligations: (i) to ensure the participation of eligible MIDES Participants in the appropriate Labor Insertion Program and SERPE; and (ii) carry out its activities under the Project in accordance with the Anti-Corruption Guidelines.
3. The Borrower shall exercise its rights under the Implementation Agreements 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 the Implementation Agreements or any of their provisions.

C. INADEH Training Payments and MITRADEL Intermediation Payments

1. The Borrower, through MIDES, shall: (a) cause INADEH to provide technical training and certifications to MIDES Participants under Part 3.1 of the Project; (b) cause INADEH to provide to MIDES sufficient evidence of the number of MIDES Participants that have been trained and certified by INADEH under Part 3.1 of the Project; and (c) provide INADEH Training Payments to INADEH, all pursuant to the procedure set forth in the Project Operational Manual and the provisions of the INADEH Agreement.



2. The Borrower shall: (a) through MITRADEL ensure that eligible MIDES Participants are included in SERPE and the adequate Labor Insertion Program under Part 3.2 of the Project; (b) through MITRADEL provide sufficient evidence to MIDES, of the number of MIDES Participants included in SERPE and that have completed the Labor Insertion Programs under Part 3.2 of the Project; and (c) provide MITRADEL Intermediation Payments to the Borrower, through MIDES, all pursuant to the procedure set forth in the Project Operational Manual and the provisions of the MITRADEL Inter-Institutional Agreement.

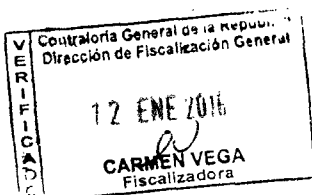
D. Independent Auditor

For purposes of Part 3 of the Project, the Borrower, through MIDES shall:

1. no later than 30 days after the Effective Date, select, hire and retain an Independent Auditor with qualifications and experience, and under terms of reference acceptable to the Bank, in accordance with Section III of this Schedule; and
2. cause the Independent Auditor to: (a) carry out a periodical technical verification of compliance concerning the actual number of MIDES Participants that have received INADEH training and certifications and/or MIDES certification of completion of the Labor Insertion Programs; and (b) prepare Independent Verification Reports covering a period of one calendar quarter, of such scope and detail as set forth in the Project Operational Manual, and furnish each Independent Verification Report to the Borrower, through MIDES, no later than forty five (45) days after the end of each calendar quarter. Said Verification Reports shall be forwarded by the Borrower to the Bank.

E. Project Operational Manual

1. The Borrower, through MIDES, shall adopt and carry out the Project in accordance with the provisions of a manual (the Project Operational Manual), which sets forth, inter alia: (a) a detailed description of Project activities and institutional arrangements for the Project; (b) the Project administrative, budgeting, accounting, auditing, reporting, financial (including cash flow aspects in relation thereto), procurement and disbursement procedures; (c) the monitoring indicators for the Project; (d) the institutional and administrative mechanisms established to ensure inter-institutional coordination; (e) the terms and conditions of the Implementation Agreements; (f) the periodicity of the technical verifications of compliance to be carried out by the Independent Auditor and the periodicity, scope and details of the Independent Verification Reports; (g) the methodology to calculate the unit costs for the INADEH Training Payment and the MITRADEL Intermediation Payments; (h) the periodicity and mechanism for the provision by the Borrower of INADEH Training Payments and MITRADEL Intermediation Payments to INADEH and MITRADEL respectively; and (i) the IPPF.
2. Except as the Borrower and the Bank may otherwise agree in writing, the Borrower shall not abrogate, amend, suspend or waive the Project Operational Manual or any provision thereof.
3. In case of a conflict between the terms of the Project Operational Manual and those in this Agreement, the terms of this Agreement shall prevail.

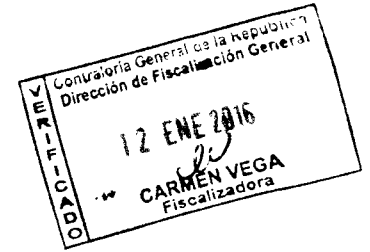


F. Anti-Corruption

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

G. Safeguards

The Borrower shall carry out the Project in accordance with the IPPF.



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 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 forty five (45) days after the end of the period covered by such report.

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. The Borrower shall prepare and furnish to the Bank not later than forty five (45) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, 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 Non-consulting Services.** All goods and non-consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this 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

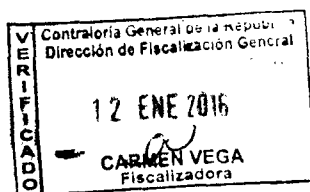
corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and Non-Consulting Services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods and Non-Consulting Services for those contracts specified in the Procurement Plan:
 - (a) National Competitive Bidding, subject to the following additional provisions:
 - (i) foreign bidders shall not be required to be registered with the Borrower's authorities as a prerequisite for bidding;
 - (ii) no bids shall be rejected, and no provisional awards shall be made at the time of bid opening;
 - (iii) the invitation to bid shall not establish, for purposes of acceptance of bids, minimum or maximum amounts for the contract prices; and
 - (iv) the invitation to bid shall not require mandatory attendance to a pre-bid meeting as a condition to bid;
 - (b) Shopping;
 - (c) Direct Contracting; and
 - (d) Framework Agreements, implemented by the DGCP, acceptable to the Bank according to procedures set forth in paragraph 3.6 of the Procurement Guidelines.

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 methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.



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.

Section IV. Withdrawal of Loan Proceeds

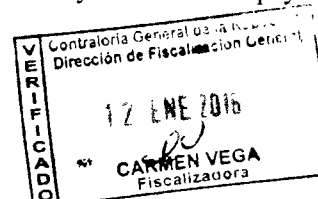
A. General

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.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, Non-Consulting Services, consultants' services, Training and Operating Costs under Parts 1, 2 and 3 of the Project	43,000,000	100%
(2) Stipends under Part 3.1(c) of the Project	7,500,000	100%
(3) INADEH Training Payments under Part 3.1(e) of the Project	10,000,000	100%
(4) MITRADEL Intermediation Payments under Part 3.2(e) of the Project	14,500,000	100%
TOTAL AMOUNT	75,000,000	

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.
 - (b) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$15,000,000 may be made for payments



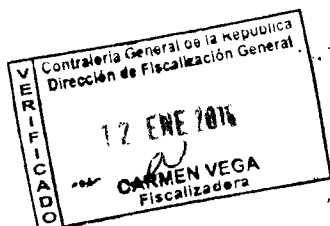
made prior to this date but on or after the date one year prior to the date of this Agreement, for Eligible Expenditures under the Project.

- (c) for payments under Categories (2) and (3) unless: (i) the Borrower, through MIDES, retains an Independent Auditor; and (ii) the INADEL Agreement has been executed, on terms and conditions acceptable to the Bank.
- (d) for payments under Category (4) unless: (i) the Borrower, through MIDES, retains an Independent Auditor; and (ii) the MITRADEL Inter-Institutional Agreement has been executed, on terms and conditions acceptable to the Bank.

2. The Closing Date is February 28, 2022.

Section V. Other Undertakings

- 1. The Borrower shall ensure that adequate budgetary resources are allocated and made available to ensure the continuity of the activities set forth in Part 1.3(a) and 2.1(c) of the Project, after the Project funds allocated in Category (1) have been depleted.
- 2. In order to request withdrawals under Categories (2), (3) and (4), the Borrower, through MIDES shall: (i) furnish to the Bank an acceptable Independent Verification Report covering a period of a calendar quarter, and said report from the Independent Auditor shall not have been submitted to the Bank to support a previous withdrawal application from the Loan Account.



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) the 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)
On each May 15 and November 15 Beginning November 15, 2021 through November 15, 2031	4.55 %
On May 15, 2032	4.45 %

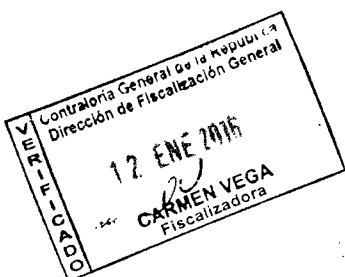
2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
- (a) To the extent that any proceeds of the Loan have been withdrawn as of the 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.

VERIFICADO
Contraloría General de la República
Dirección de Fiscalización General
12 ENE 2016
CARMEN VEGA
Fiscalizadora

- (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: (a) 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 (b) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

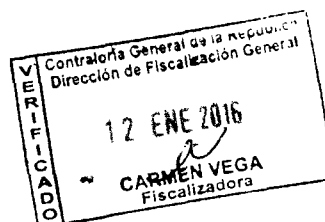
- 5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.



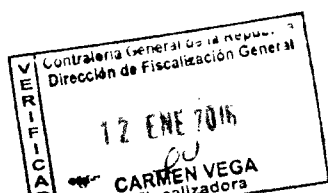
APPENDIX

Section I. Definitions

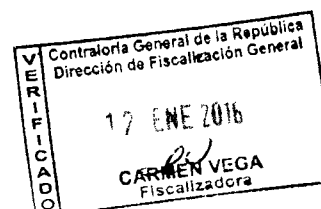
1. "Anti-Corruption Guidelines" means the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011.
2. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. "CCT" means conditional cash transfers.
4. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014).
5. "DGCP" means *Dirección General de Contrataciones Públicas*, the Borrower's General Directorate of Public Procurement, created pursuant to the Borrower's Law No. 22, dated June 27, 2006, or its successor acceptable to the Bank.
6. "FUR" means *Formulario Único de Registro*, the single information collection form to be developed under Part 1 of the Project for the MIDES' CCTs.
7. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated March 12, 2012, with the modifications set forth in Section II of this Appendix.
8. "Implementation Agreement" means either the INADEH Agreement or the MITRADEL Inter-Institutional Agreement, collectively referred to as "Implementation Agreements".
9. "INADEH" means *Instituto Nacional de Formación Profesional y Capacitación para el Desarrollo Humano*, the Borrower's National Institute for Human Professional Development created pursuant to the Borrower's Law (*Decreto Ley*) No. 8, dated February 15, 2006.
10. "INADEH Agreement" means the agreement referred to in Section I.B.1 of Schedule 2 to this Agreement.
11. "INADEH Training Payments" means payments to be made by the Borrower, through MIDES, to INADEH, out of the proceeds of the Loan, to cover reasonable incremental expenses incurred by INADEH with respect to the participation of each MIDES Participant in INADEH training as such payments are calculated pursuant to the procedures set forth in the Project Operational Manual.
12. "Independent Auditor" means the independent auditor referred to in Section I.D.1 of Schedule 2 to this Agreement.



13. "Independent Verification Report" means each one of the reports referred to in Section I.D.2(b) of this Agreement.
14. "Indigenous Peoples' Planning Framework or IPPF" means the Borrower's framework dated July 17, 2015 acceptable to the Bank, published and disclosed to the public on July 31, 2015 on the MIDES website (www.mides.gob.pa), detailing measures to mitigate any adverse impact on indigenous peoples as a result of any activity carried out under the Project and to ensure that they benefit from the Project, including procedures for the preparation and implementation of the pertinent indigenous peoples development plans.
15. "Labor Insertion Program" means any of the Borrower's: (a) *Pro Joven* youth employment program created pursuant to MITRADEL's Ministerial Resolution No. DM-502-2014 dated October 28, 2015, as amended to the date of this Agreement; or (b) PAIL labor insertion program, created pursuant to the Borrower's Decree No. 230-2008-DMySC, dated July 9, 2008, as amended to the date of this Agreement, or their successors acceptable to the Bank, and collectively referred to as "Labor Insertion Programs".
16. "MIDES" means *Ministerio de Desarrollo Social*, the Borrower's Ministry for Social Development, or its successor acceptable to the Bank.
17. "MIDES' CCT" means any of the Borrower's, following conditional cash transfer programs administered by MIDES: (a) *Red de Oportunidades* conditional cash transfer program created pursuant to the Borrower's Decree No. 222-1007-DMySC, dated July 9, 2007, as amended to the date of this Agreement; (b) *120 a los 65* non-contributory pension program created pursuant to the Borrower's Law No. 15, dated September 1, 2014, as amended to the date of this Agreement; or (c) *Angel Guardián* social assistance program for people with severe disabilities created pursuant to the Borrower's Law No. 30 dated June 14, 2012, as amended to the date of this Agreement, or their successors acceptable to the Bank, collectively referred to as MIDES' CCTs.
18. "MIDES Participants" means individuals eligible to participate in SERPE and the Labor Insertion Programs and with a PMT index that represents a poverty status.
19. "MITRADEL" means *Ministerio del Trabajo y Desarrollo Laboral*, the Borrower's Ministry of Labor and Labor Development, or its successor acceptable to the Bank.
20. "MITRADEL Inter-Institutional Agreement" means the agreement set forth in Section I.B.2 of Schedule 2 to this Agreement.
21. "MITRADEL Intermediation Payments" means payments made by the Borrower, through MIDES, to MITRADEL, out of the proceeds of the loan, to cover reasonable incremental expenses incurred by MITRADEL with respect to the participation of each MIDES Participant in SERPE and any Labor Inclusion Program, as such payments are calculated based on the procedures set forth in the Project Operational Manual.
22. "Non-Consulting Services" means the reasonable expenditures incurred on account of Project implementation to cover reasonable costs of survey and registration of MIDES participants, and other services which are not rendered by consultants, and which are not covered by Operating Costs.



23. "Operating Costs" means the incremental expenses incurred by MIDES on account of Project implementation, supervision, monitoring and evaluation, or in connection with the carrying out of Parts 2.1(e) or 2.2(e) of the Project, which may include office equipment and supplies, reasonable commercial banking charges and fees, vehicle operation and maintenance, communication and insurance costs, operation and maintenance of office equipment, office administration costs, utilities, travel, and *per diem*, and remuneration of locally contracted MIDES employees (none of which would have been incurred in the absence of the Project).
24. "PMT" means proxy means test, a household level targeting instrument.
25. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014).
26. "Procurement Plan" means the Borrower's procurement plan for the Project, dated August 5, 2015 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
27. "Project Operational Manual" means the manual set forth on Section I.E.1 of Schedule 2 to this Agreement, as the same may be amended from time to time in a manner acceptable to the Bank.
28. "*Promotor*" means any of MIDES' employees responsible for, *inter alia*, the local coordination of the MIDES' CCTs and maintaining communications with local beneficiaries, collectively referred to as "*Promotores*".
29. "SERPE" means *Servicio Público de Empleo*, MITRADEL's Public Employment Service, or its successor acceptable to the Bank.
30. "Social Protection System" means the Borrower's system to manage and implement social programs to strengthen the social inclusion of the poor and vulnerable population.
31. "Stipend" means a grant made out of the proceeds of the Loan to MIDES Participant participating in INADEH's training Activities under Part 3.1(c) of the Project, calculated in accordance with the procedures set forth in the Project Operational Manual, to finance, *inter alia*, meals, transportation and children day care costs expected to be incurred by MIDES Participant during the time of the training provided by INADEH, collectively referred to as "Stipends".
32. "Training" means reasonable expenditures (other than for consultant's services and Non-Consultants Services) incurred by trainers and trainees for reasonable travel, room board and *per diem* expenses in connection with training under the Project, including training registration fees, training facility and equipment rentals.



Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. In the **Table of Contents**, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.
2. Section 3.01. (*Front-end Fee*) is modified to read as follows:

“Section 3.01. *Front-end Fee; Commitment Charge*

(a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the “Front-end Fee”).

(b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the “Commitment Charge”). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date.”

3. In the Appendix, **Definitions**, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modification set forth in paragraph 2 above.
4. The Appendix is modified by inserting a new paragraph 19 with the following definition of “Commitment Charge”, and renumbering the subsequent paragraphs accordingly:

“19. “Commitment Charge” means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b).”
5. In the renumbered paragraph 49 (originally paragraph 48) of the Appendix, the definition of “Front-end Fee” is modified by replacing the reference to Section 3.01 with Section 3.01 (a).
6. In the renumbered paragraph 68 (originally paragraph 67) of the Appendix, the definition of the term “Loan Payment” is modified to read as follows:

“68. “Loan Payment” means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower.”

7. In the renumbered paragraph 73 (originally paragraph 72) of the Appendix, the definition of “Payment Date” is modified by deleting the word “is” and inserting the words “and Commitment Charge are” after the word “interest”.

