

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7961-PE

Loan Agreement

*(Juntos Results for Nutrition Project
Cierre de Brechas en Productos Priorizados dentro del Programa Articulado
Nutricional)*

between

REPUBLIC OF PERÚ

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 5, 2011

Public Disclosure Authorized

LOAN NUMBER 7961-PE

LOAN AGREEMENT

AGREEMENT dated July 5, 2011, between REPUBLIC OF PERÚ (“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 twenty five million Dollars, (\$25,000,000), 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 operation 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 Indebtedness and Public Treasury (DGETP), 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 the Reference Rate for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the

Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

- 2.05. The Payment Dates are February 15 and August 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (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, or 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 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, through DGPP (as technical coordinator) and UCPS (as administrative coordinator), shall carry out: (a) Part 1 of the Project with the participation of *Juntos*; (b) Part 2 of the Project with the participation of the Regional Governments; and (c) Part 3 of the Project with the participation of SIS and INEI, all in accordance with the provisions of the Program, the pertinent Result Agreements, the INEI Agreement, the Operational Manual and 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 and shall ensure the provision of resources required to carry out the Project.

ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Event of Suspension consists of the following, namely that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

- (a) the Operational Manual has been adopted by the Borrower, through UCPS, in form and substance satisfactory to the Bank; and
- (b) the Result Agreements have been signed by the Borrower and by the corresponding parties thereto, in form and substance satisfactory to the Bank.

5.02. The Additional Legal Matter consists of the following, namely that the Result Agreements with *Juntos* and SIS have been duly authorized or approved by the corresponding parties thereto, and all said agreements are legally binding upon the corresponding parties in accordance with their terms.

5.03. 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 expire on September 8, 2012.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower's representative is its Minister of Economy and Finance, provided that the Borrower's Director of Indebtedness and Public Treasury 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 PERÚ

By /s/ Ismael Benavides Ferreyros

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Susan G. Goldmark

Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are to: (a) increase demand for nutrition services by strengthening the operational effectiveness of *Juntos*; and (b) improve coverage and quality of the supply of basic preventive health and nutrition services in the communities covered under the Program, including *Juntos*.

The Project consists of the following parts:

Part 1. Strengthening and Consolidating of *Juntos* for Families with Children under Thirty Six Months

Support an incentive mechanism through Output Payments based on selected eligible budget lines (the Eligible Budget Lines) for: (a) the affiliation of children younger than 12 months to *Juntos*; and (b) the verification of the health co-responsibilities for children younger than 36 months already affiliated to *Juntos*.

Part 2. Improving Coverage and Quality of the Provision of Basic Preventive Health and Nutrition Services in *Juntos* Areas

Support a stronger governance system for the Program and create incentives for health providers to increase coverage and improve quality of basic health and nutrition services in the *Juntos* Areas through capitation payment modalities in order to allow *Juntos* beneficiaries to comply with their health and nutrition co-responsibilities.

Part 3. Strengthening the Borrower's Capacity to Influence Nutritional Outcomes by Improving Budgetary Planning and Monitoring of Results for Selected Activities of the Program

Support an incentive mechanism to strengthen the Borrower's budgetary planning and monitoring capacity in relation to the Program through Output Payments based on selected eligible budget lines (the Eligible Budget Lines) for: (a) the implementation of a monitoring system and planning and monitoring capacity for Health Facilities; (b) the establishment of a social monitoring of nutrition results at the municipal level; (c) the technical verification of capacity of Health Facilities; (d) the early affiliation of newborns to SIS; and (e) the verification of CRED information.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall carry out the Project based on the resources of the Eligible Budget Lines through DGPP (as technical coordinator) and UCPS (as administrative coordinator) in accordance with this Agreement, including the Operational Manual, the Procurement Plan and the Indigenous Peoples' Strategic Framework, and except as the Bank shall otherwise agree, shall not amend or waive any provision of these documents without the Bank's prior written approval. In case of any conflict between the terms of said documents and those of this Agreement, the terms of this Agreement shall prevail. In addition, in case of any conflict between the Operational Manual and the additional instructions referred to in Section IV.A.1 of this Schedule, said additional instructions shall prevail.
2. The Borrower shall ensure that, until the completion of the execution of the Project, DGPP and UCPS shall have competent staff in adequate numbers and with qualifications and experience acceptable to the Bank.
3. The Borrower, through DGPP, shall hold, until the completion of the execution of the Project, the Regular Meetings to convene at least once every year, and shall submit the minutes of each of said meetings to the Bank.
4. The Borrower, through UCPS, shall furnish to the Bank at least once a year during the Project implementation, regular reports (the Regular Reports) as prepared by DGPP, all in accordance with the provisions of the Operational Manual (including the Indicators) and the additional instructions referred to in Section IV.A.1 of this Schedule.
5. The Borrower, through UCPS, shall, not later than December 31 of each year of Project implementation (starting on the first such date after the Effective Date), prepare and furnish to the Bank a procurement report (the Procurement Plan Report) confirming that all procurement activities under the Parts 1 and 3 of the Project have been carried out in accordance with the Procurement Plan. Each Procurement Plan Report shall cover the period of twelve months preceding the presentation of such report and shall be furnished to the Bank by the Borrower not later than four months after the end of the period covered by each such report.
6. To facilitate the carrying out of Part 3(c) of the Project, the Borrower shall enter into no later than December 31, 2011, and thereafter maintain, an agreement with

INEI (the INEI Agreement), under terms and conditions satisfactory to the Bank which shall include, *inter alia*, the pertinent provisions of this Agreement (including Section III of this Schedule) and of the Anti-Corruption Guidelines. The Borrower shall exercise its rights under the INEI Agreement in such a 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 INEI Agreement or any of its provisions.

7. Without limitation to the pertinent provisions of the General Conditions, if, at any time, the Bank determines that any portion of the Loan proceeds was used to finance (through reimbursements) items improperly procured in violation of Section III to this Schedule, was not used to finance (through reimbursements) Eligible Expenditures or was not supported by evidence of actual results achieved and actual execution of the Eligible Budget Lines by the Borrower under the Regular Reports and/or by evidence of satisfaction of other criteria set forth in this Agreement or in the Operational Manual, the Borrower shall promptly refund any such portion to the Bank as the Bank shall specify by notice to the Borrower.
8. For purposes of carrying out the Project and the Program as referred to in Section 3.01 of this Agreement, the Borrower, through DGPP, shall: implement the Result Agreements with *Juntos* (in respect of Part 1 of the Project) and SIS (in respect of Part 3 (d) and (e) of the Project), all under terms and conditions detailed in the Operational Manual.

B. Anti-Corruption

The Borrower, through the entity or entities that the Borrower may deem appropriate, shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Safeguards: Indigenous Peoples

The Borrower shall, when applicable, implement the Project or cause the Project to be implemented in accordance with the provisions of the Indigenous Peoples Strategic Framework.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower through DGPP and with the support of UCPS 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:

(a) the Monitoring Indicators set forth in the Operational Manual; (b) the Regular Reports; (c) the Procurement Plan Report; and (d) the report on the Indigenous Peoples' Strategic Framework. Each Project Report shall cover the period of one calendar year (January 1 to December 31) and shall be furnished to the Bank by the Borrower through UCPS not later than four months after the end of the period covered by such reports.

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 September 30, 2016.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system, as further detailed in the Operational Manual, 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, through DGPP, and furnish to the Bank, through UCPS, not later than four months after the end of each calendar year, interim unaudited financial reports (Regular Reports) for the Project covering said calendar year, in form and substance satisfactory to the Bank.
3. The Borrower, through UCPS, shall have the Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions and of the Operational Manual. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower, or such other period agreed with the Bank. 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-Consultant Services.** All goods and non consultant services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

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

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consultant services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Non-Consultant Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and non consultant services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<u>Procurement Method</u>
(a) National Competitive Bidding
(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 Consultants’ Qualifications
(c) Single-source Selection
(d) Least-Cost Selection
(e) Selection under Fixed Budget

<u>Procurement Method</u>
(f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(g) Sole Source Procedures for the Selection of Individual Consultants set forth in paragraph 5.4 of the Consultant Guidelines 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.

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, and non consultant services with National Competitive Bidding ("NCB") procedures:
 - (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 or used for the purpose of evaluation.
 - (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 be allowed to submit a bid under NCB without restriction and shall not be subject to any unjustified requirement which will affect their ability to bid such as, but not limited to, the requirement 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 for bidding.
 - (e) The Borrower, through UCPS, 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 Peruvian Consulates, the Ministry of Foreign Affairs, or any Peruvian authorities as a condition of participation in said selection process.
 - (c) The Borrower, through UCPS, 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, may 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 through DGETP 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 or reimburse 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 or reimbursed 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 or reimbursed 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 or reimbursed (inclusive of Taxes)</u>
(1)(a) Output Payments for <i>Juntos</i> under Part 1 (a) of the Project	3,600,000	100% of amounts calculated through the Formula IA
(1)(b) Output Payments for <i>Juntos</i> under Part 1 (b) of the Project	1,900,000	100% of amounts calculated through the Formula IB
(2) Health Facility Capitation Payments under Part 2 of the Project	5,500,000	100% of amounts calculated through the Formula II
(3)(a) Output Payments under Part 3(a) of the Project	5,300,000	100% of amounts calculated through the Formula IIIA
(3)(b) Output Payments under Part 3(b) of the Project	4,400,000	100% of amounts calculated through the Formula IIIB
(3)(c) Output Payments under Part 3(c) of the Project	2,000,000	100% of amounts calculated through the Formula IIIC
(3)(d) Output Payments under Part 3(d) of the Project	1,200,000	100% of amounts calculated through the Formula IIID
(3)(e) Output Payments under Part 3(e) of the Project	1,100,000	100% of amounts calculated through the Formula IIIE
TOTAL AMOUNT	25,000,000	

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; or
 - (b) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$5,000,000 equivalent may be made for payments made within twelve months prior to such date for Categories (1), (2) and (3).
2. The Closing Date is March 31, 2016.

Section V. Other Undertakings

A. Independent Auditors

The Borrower shall cause UCPS to hire independent auditors for the audits as referred to in Sections II. B.3 above no later than six months after the Effective Date; all under terms of reference and with qualifications and experience satisfactory to the Bank and in accordance with the provisions of Section III above.

B. Mid-Term Review

By June 30, 2013, or such other date as the Bank shall agree upon, the Borrower through DGPP shall: (i) carry out jointly with the Bank, a mid-term review of the implementation of operations under the Project, which shall cover the progress achieved in the implementation of the Project; and (ii) following such mid-term review, act promptly and diligently to take any corrective action as shall be agreed by the Bank.

C. Annual Procurement External Reviews

The Borrower, through UCPS, shall:

1. have all the procurement records and documentation for each fiscal year of the Project reviewed, in accordance with appropriate procurement review principles, as detailed in the Operational Manual, by independent reviewers acceptable to the Bank;
2. furnish to the Bank as soon as available, but in any case not later than six months after the end of each such fiscal year, the procurement external review report of

such review by said reviewers of such scope and in such detail as the Bank shall reasonably request; and

3. furnish to the Bank such other information concerning said procurement records and documentation and the procurement review thereof as the Bank shall from time to time reasonably request.

SCHEDULE 3

Amortization Schedule

The Borrower shall repay the principal amount of the Loan in full on February 15, 2029.

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 with the modifications set forth in Section II of this Appendix.
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 and May 2010.
4. “CRED” means *Control de Crecimiento y Desarrollo*, the growth and development checkups provided for children below 36 months by Regional Governments in the Borrower’s territory.
5. “DGPP” means *Dirección General de Presupuesto Público*, the Borrower’s national directorate for public budget within the Borrower’s Ministry of Economy and Finance, in charge of the day-to-day coordination, supervision, technical verification, monitoring and evaluation of the Project.
6. “DGETP” means *Dirección General de Endeudamiento y Tesoro Público*, the Borrower’s national directorate for public debt within the Borrower’s Ministry of Economy and Finance, in charge of presenting withdrawal applications to the Bank as further described in the additional instructions referred to in Section IV.A.1 of Schedule 2 to this Agreement.
7. “Eligible Budget Lines” means the Borrower’s eligible budget lines (*líneas presupuestales*), including operating expenditures under said budget lines, as selected by the Borrower under the objectives of the Program (*finalidades*), as further described in the Operational Manual.
8. “ENDES” means *Encuesta Demográfica y de Salud Familiar*, the Borrower’s demographic and family health survey, as established and operating under the Borrower’s Decree No. 043-2001-PCM, dated April 30, 2001.
9. “Executing Units” means the units within MINSA or the Regional Governments responsible for the management of budget resources in the Borrower’s health

sector, as created and operating under the Borrower's Law No. 28411 dated December 8, 2004.

10. "Formula IA" means the following formula: the unit cost (as updated from time to time with the Bank's prior written approval) of the activities listed in the Operational Manual required for the affiliation of children younger than 12 months to *Juntos* multiplied by Indicator IA.
11. "Formula IB" means the following formula: the unit cost (as updated from time to time with the Bank's prior written approval) of the activities listed in the Operational Manual required for the verification of the health co-responsibilities for children younger than 36 months already affiliated to *Juntos* multiplied by Indicator IB.
12. "Formula II" means the following formula:
 - (a) **for the first twelve months of the Project after Effectiveness:** the amount resulting from adding the sum of multiplying the amount of 50% of the Health Facility Capitation Payments by the number of Eligible Health Facilities and the sum of multiplying the amount of 50% of Health Facility Capitation Payments by the number of Enrolled Health Facilities;
 - (b) **for the following twelve months after the period referred to in sub-paragraph (a) above:** the amount resulting from adding the sum of multiplying the amount of 50% of Health Facility Capitation Payments by the number of Enrolled Health Facilities and the sum of multiplying the amount of 50% of Health Facility Capitation Payments by Indicator II ; and
 - (c) **for the following thirty six months after the period referred to in sub-paragraph (b) above:** the amount resulting from multiplying the amount of 100% of Health Facility Capitation Payments by Indicator II.

For purpose of sub-paragraphs (a) and (b) herein, the terms "Eligible Health Facility" means the primary health facility serving beneficiaries of *Juntos* and located in one of the *Juntos* Areas that regularly provides basic health and nutrition services, and "Enrolled Health Facility" means the Eligible Health Facility that has met the following requirements: (i) the pertinent planification in SIGA has been done and includes health and nutrition services provided to children under *Juntos*; and (ii) the estimated number of beneficiaries and unit cost of services have been reported in SIGA.

13. "Formula IIIA" means the following formula: the unit cost (as updated from time to time with the Bank's prior written approval) of the activities listed in the Operational Manual required for the implementation of SIGA in each Executing Unit multiplied by Indicator IIIA.

14. “Formula IIIB” means the following formula: the unit cost (as updated from time to time with the Bank’s prior written approval) of the activities listed in the Operational Manual required for the installation of a social monitoring nutrition mechanism in each municipality within a Regional Government multiplied by Indicator IIIB.
15. “Formula IIIC” means the following formula: the unit cost (as updated from time to time with the Bank’s prior written approval) of the activities listed in the Operational Manual required for the establishment of a monitoring system of the capacity of Health Facilities to deliver quality health and nutrition services Health Facility multiplied by Indicator IIIC.
16. “Formula IIID” means the following formula: the unit cost (as updated from time to time with the Bank’s prior written approval) of the activities listed in the Operational Manual required for the early affiliation of newborns (i.e. children younger than 12 months) to SIS multiplied by Indicator IIID.
17. “Formula IIIE” means the following formula: the unit cost (as updated from time to time with the Bank’s prior written approval) of the activities listed in the Operational Manual required for the verification of CRED information for children younger than 36 months multiplied by Indicator IIIE.
18. “Formulae” means collectively Formula IA, Formula IB, Formula II, Formula IIIA, Formula IIIB, Formula IIIC, Formula IIID, and Formula IIIE.
19. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 31, 2010.
20. “Health Facility or Health Facilities” means *Establecimientos de Salud*, the health facilities pertaining to the Borrower’s Regional Government in the Borrower’s national territory.
21. “Health Facility Capitation Payments” means a financial transfer to a health facility (analogous to a group health insurance premium), as updated from time to time with the Bank’s prior written approval, which financial transfer is calculated by: (i) adding the unit cost of activities listed in the Operational Manual required for the provision of basic health and nutrition services to be made available to each child; (ii) multiplying that sum by the number of children eligible for service in the *Juntos* Areas in which the health facility is located; and (iii) thereafter dividing said sum by the number of health facilities in the *Juntos* Areas, all under Part 2 of the Project, as further detailed in the Operational Manual.

22. “Indicators” means collectively Indicator IA, Indicator IB, Indicator II, Indicator IIIA, Indicator IIIB, Indicator IIIC, Indicator IIID, and Indicator IIIE, a set of indicators used in the Formulae as set forth in the Operational Manual.
23. “Indicator IA” means the indicator specified in the Operational Manual for the calculation of Formula IA.
24. “Indicator IB” means the indicator specified in the Operational Manual for the calculation of Formula IB.
25. “Indicator II” means the indicator specified in the Operational Manual for the calculation of Formula II in respect of the second and third year of the Project.
26. “Indicator IIIA” means the indicator specified in the Operational Manual for the calculation of Formula IIIA.
27. “Indicator IIIB” means the indicator specified in the Operational Manual for the calculation of Formula IIIB.
28. “Indicator IIIC” means the indicator specified in the Operational Manual for the calculation of Formula IIIC.
29. “Indicator IIID” means the indicator specified in the Operational Manual for the calculation of Formula IIID.
30. “Indicator IIIE” means the indicator specified in the Operational Manual for the calculation of Formula IIIE.
31. “Indigenous Peoples Strategic Framework” means a strategic document that includes measures to overcome barriers to access services by the indigenous population in the *Juntos* Areas, dated December 28, 2009 as published on the website: <http://www.mef.gob.pe/DNPP/PpR/ppe.php>.
32. “INEI” means *Instituto Nacional de Estadística e Informática*, the Borrower’s national institute for statistics and informatics, as created and operating under the Borrower’s Law No 21372 dated December 30, 1975, as amended.
33. “INEI Agreement” means an agreement to be signed between the Borrower, through UCPS and INEI for the carrying out of Part 3 (c) of the Project as referred to under Paragraph 6 of Section I.A of Schedule 2 to this Agreement.
34. “*Juntos*” means the Borrower’s program designed to create direct support to the poorest in the Borrower’s territory as established and operating under the Borrower’s Supreme Decree N° 032-2005-PCM, dated August 8, 2005.

35. “*Juntos Areas*” means the areas located in the Regional Governments where *Juntos* operates.
36. “MINSA” means the Borrower’s Ministry of Health.
37. “Monitoring Indicators” means a set of indicators set forth in the Operational Manual which will constitute, *inter alia*, the basis for the Project Reports, as referred to in Section II.A.1 of Schedule 2 to this Agreement.
38. “Operational Manual” means the operational manual for the Project, satisfactory to the Bank to be adopted by the Borrower, which shall contain, *inter alia*: (i) the functions and responsibilities for the personnel of DGPP in charge of daily coordination and monitoring for the Project; (ii) the functions and responsibilities for the personnel of UCPS in charge of daily financial management, procurement, administrative activities and audits for the Project; (iii) the functions and responsibilities of respectively *Juntos*, the Borrower’s Ministry of health, Regional Governments and SIS; (iv) the procedures for procurement (including the format for the Procurement Plan Report), as well as for financial management and audits for the Project; (v) flow and disbursement arrangements of Project funds; (vi) the methodology and the procedures to be followed to update unit costs under the Formulae; (vii) the definition of the Indicators and the Monitoring Indicators; and (viii) the Indigenous Peoples Strategic Framework, as said manual may be amended from time to time with the agreement of the Bank.
39. “Output” means any of the outputs eligible for financing out of the proceeds of the Loan as set forth in the Operational Manual in respect of Parts 1 and 3 of the Project.
40. “Output Payments” means payments made out of the proceeds of the Loan to finance Eligible Expenditures (i.e. operating expenditures, consultants’ services and goods) in respect of the Outputs as further detailed in the Operational Manual.
41. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006 and May 2010.
42. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated January 20, 2011 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
43. “Procurement Plan Report” means any of the reports referred to in Section I.A.5 of Schedule 2 to this Agreement as further detailed in the Operational Manual.

44. “Program” means “PAN” (*Programa Articulado Nutricional*), the Borrower’s nutritional program as established and operating under the Borrower’s Law N° 28927, dated December 7, 2007.
45. “Regional Governments” means the three regional governments of Amazonas, Cajamarca and Huánuco in the Borrower’s territory or any other eligible additional regional government in the Borrower’s territory found acceptable to the Bank and to the Borrower and reflected in the Operational Manual.
46. “Regular Meetings” means multi sectoral meetings chaired by DGPP and gathering representatives from *Juntos*, MINSA, UCPS, Regional Governments and SIS to be held in the intervals set forth in this Agreement and in the Operational Manual.
47. “Regular Reports” means collectively all the reports presented by the Borrower as referred to under Section I.A.4 of Schedule 2 to this Agreement and as further detailed in the Operational Manual and the additional instructions referred to in Section IV.A.1 of Schedule 2 to this Agreement.
48. “Result Agreement” means *Convenio de Apoyo Presupuestarios (Convenio por Resultados)* any of the agreements referred to in Section I.A.8 of Schedule 2 to this Agreement, to be executed in accordance with the Borrower’s legal framework.
49. “SIGA” means *Sistema Integrado de Gestión Administrativa*, the Borrower’s integrated administrative management system, as operating under the Borrower’s annual budget laws.
50. “SIS” means *Seguro Integral de Salud*, the Borrower’s integral health insurance, as established and operating under the Borrower’s Law N° 27657, dated January 2002.
51. “UCPS” means *Unidad de Coordinación de Préstamos Sectoriales*, the Borrower’s coordination unit for sectorial loans within its Ministry of Economy and Finance, or any other entity that would replace it during the implementation of the Project, in charge of carrying out day-to-day financial management and procurement for Parts 1 and 3 of the Project and presenting the Regular Reports to the Bank, as further described in the Operational Manual and the additional instructions referred to in Section IV A 1 of Schedule 2 to this Agreement..

Section II. Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“... (b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

1. Section 11(a) is modified to read as follows:

“... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”