

CONFORMED COPY

LOAN NUMBER 7185-DO

Loan Agreement

(Health Reform Support Project)

between

DOMINICAN REPUBLIC

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated June 27, 2003

LOAN NUMBER 7185-DO

LOAN AGREEMENT

AGREEMENT, dated June 27, 2003, between the DOMINICAN REPUBLIC (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).+

WHEREAS (A) the Bank has received a letter from the Borrower, dated April 9, 2003, describing a program designed to support the Borrower's health sector reform - *Programa de Apoyo a la Reforma del Sector Salud* (the Program) and declaring the Borrower's commitment to the execution of such program;

(B) the Borrower has requested that the Bank support the Borrower's execution of the Program through a series of loans over a period of approximately twelve years, as part of an adaptable program lending sequence, to be utilized by the Borrower in the implementation of the Program; and

(C) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), which Project forms part of the first phase of the Program, has requested the Bank to assist in the financing of the Project; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower, in support of the first phase of the Program, upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Fixed-Spread Loans" of the Bank dated September 1, 1999, with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

Paragraph (c) of Section 9.07 of the General Conditions is modified to read as follows:

"(c) Not later than six months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank

shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Annual Action Plan" means any of the plans referred to in Section 3.06 (a) of this Agreement;

(b) "Basic Health Plan" means the Borrower's basic health plan, approved by *Consejo Nacional de Seguridad Social* pursuant to resolution 51-06 of October 30, 2002;

(c) "BCRD" means *Banco Central de la República Dominicana*, the Borrower's Central Bank;

(d) "CERSS" means *Comisión Ejecutiva para la Reforma del Sector Salud*, the Borrower's Executive Commission for Health Sector Reform, established pursuant to the Borrower's Decree No. 308-97 of July 10, 1997;

(e) "FMR" means each financial monitoring report prepared in accordance with Section 4.02 of this Agreement;

(f) "Implementation Letter" means the letter of even date herewith from the Borrower to the Bank setting forth: (i) the Project performance indicators; and (ii) the scope of the mid-term review referred to in Section 3.09 (b) of this Agreement, as such letter may be amended from time to time with the agreement of the Bank;

(g) "Law No. 42-01" means *Ley No. 42-01* of the Borrower, dated March 8, 2001, which established the legal framework for a national health system;

(h) "Law No. 87-01" means *Ley No. 87-01* of the Borrower, dated May 9, 2001, which established the legal framework for the Borrower's new social security system;

(i) "Operational Manual" means the manual referred to in Section 3.04 (b) of this Agreement;

(j) "PAHO" means Pan American Health Organization;

- (k) "PAHO Agreement" means the agreement between the Borrower and PAHO, referred to in Section 3.11 of this Agreement;
- (l) "Participating Agency" means *Secretaría de Salud Pública y Asistencia Social*, the Borrower's Secretariat of Public Health and Social Assistance;
- (m) "Participating Entity" means a public entity vested with legal personality which has partial or total jurisdiction over one or more Project activities to be included in a given Annual Action Plan;
- (n) "Participation Agreement" means any of the agreements referred to in Section 3.07 (a) (i) of this Agreement;
- (o) "Participation Arrangement" means the arrangement referred to in Section 3.07 (a) (ii) of this Agreement;
- (p) "PCU" means the unit referred to in Section 3.05 (a) of this Agreement;
- (q) "Performance Indicators" means the indicators for monitoring and evaluating progress towards the attainment of Project objectives set forth in the Implementation Letter;
- (r) "Resettlement Framework" means the Borrower's resettlement framework for the Project, that contains the rules and procedures for mitigating potential negative impacts in the livelihood of communities under the Project area; and
- (s) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount equal to thirty million Dollars (\$30,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Loan and in respect of the front-end fee referred to in Section 2.04 of this

Agreement and any premium in respect of an Interest Rate Cap or Interest Rate Collar payable by the Borrower in accordance with Section 4.04 (c) of the General Conditions.

- (b) (i) The Borrower may, for the purposes of carrying out the Project, open and maintain in Dollars a separate special deposit account (the Special Account) in the BCRD on terms and conditions satisfactory to the Bank; and
- (ii) deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2007 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a front-end fee in an amount equal to one percent (1%) of the amount of the Loan. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (i) eighty five one-hundredths of one per cent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to but not including the fourth anniversary of such date; and (ii) seventy five one-hundredths of one per cent (0.75%) per annum thereafter.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period at the Variable Rate; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and commitment charges shall be payable semiannually in arrears on April 15 and October 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.09. (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 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 said 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 Section 2.01 (7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar in respect of which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04 (c) of the General Conditions up to the amount allocated from time to time for such purpose in the table in paragraph 1 of Schedule 1 to this Agreement.

Section 2.10. Without limitation upon the provisions of paragraph (a) of Section 2.09 of this Agreement and unless otherwise notified by the Borrower to the Bank in accordance with the provisions of the Conversion Guidelines, the interest rate basis applicable to the aggregate principal amount of the Loan withdrawn during each Interest Period shall be changed from the initial Variable Rate to a Fixed Rate for the full maturity of such amount in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III

Execution of the Project

Section 3.01. The Borrower declares its commitment to the objectives of the Project, and, to this end, shall carry out the Project through the PCU, with the assistance of the Participating Entities and/or the Participating Agency, as the case may be, with due diligence and efficiency and in conformity with appropriate health, technical, administrative, financial, educational and environmental practices, and shall provide,

promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the future operation of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. (a) Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank may otherwise agree, the Borrower shall carry out the Project in accordance with the Operational Manual so as to achieve the Performance Indicators.

(b) The Borrower shall issue an operational manual, satisfactory to the Bank, containing, *inter alia*, specific provisions on detailed arrangements for the carrying out of the Project, including:

- (i) a model Participation Agreement;
- (ii) a model Participation Arrangement;
- (iii) mandatory safeguards and mitigation actions for the collection, disposal and treatment of medical waste, which safeguards and actions shall be applied to prevent or mitigate any possible negative environmental impact said disposal might otherwise cause;
- (iv) mandatory safeguards and mitigation actions for the rehabilitation and expansion of health facilities, which safeguards and actions shall be applied to prevent or mitigate any possible negative environmental impact said construction may otherwise cause, such as, in particular, increase in deforestation, pollution of groundwater, negative impacts on endangered

species, increased soil erosion, and encroachment on natural habitats;

- (v) personal health and safety provisions for the handling and disposal of hazardous wastes;
- (vi) the Resettlement Framework; and
- (vii) guidelines for the preparation of Annual Action Plans.

(c) If any provision of the Operational Manual is inconsistent with a provision of this Agreement, the provision of this Agreement shall prevail.

Section 3.05. (a) The Borrower shall operate and maintain within CERSS, at all times during Project implementation, a Project coordination unit with a structure, functions and responsibilities acceptable to the Bank, including, inter alia, the responsibility of the PCU to coordinate, monitor and supervise the carrying out of the Project.

(b) The Borrower shall ensure that the PCU is, at all times during Project implementation, headed by an executive director and a financial and administrative director, and assisted by adequate professional and administrative staff in numbers and with experience and qualifications acceptable to the Bank, operating under terms of reference satisfactory to the Bank, and selected in accordance with competitive and transparent procedures satisfactory to the Bank.

Section 3.06. The Borrower shall:

(a) not later than October 31 of each year of Project implementation, starting in year 2003, furnish to the Bank, for its approval, an annual action plan, each said plan to include, inter alia: (i) the Project activities to be carried out by the Borrower with the assistance of the corresponding Participating Entities or Participating Agency, as the case may be, during the calendar year following the presentation of each said plan; and (ii) the procurement plan and disbursement plan for each of said Project activities;

(b) thereafter implement each said Annual Action Plan in accordance with its terms; and

(c) carry out the Annual Action Plan for the year 2004 as approved by the Bank prior to the date of this Agreement.

Section 3.07. (a) Upon approval of the corresponding Annual Action Plan by the Bank, the Borrower shall: (i) enter into an agreement or amend the existing agreement (the Participation Agreement) with each of the corresponding Participating Entities; and (ii) enter into an arrangement or amend the existing arrangement (the Participation

Arrangement) with the Participating Agency, as the case may be, all on terms and conditions satisfactory to the Bank, and based on the models set forth in the Operational Manual, including, inter alia, the obligation of said Participating Entities to assist the Borrower in the implementation of the corresponding Annual Action Plan and to follow the provisions of the Operational Manual.

(b) (i) The Borrower shall exercise its rights and carry out its obligations under each Participation Agreement and Participation Arrangement in such a manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan; and (ii) except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, terminate, waive or fail to enforce any Participation Agreement or Participation Arrangement or any provision thereof.

(c) In case of any conflict among the terms of any Participation Agreement or Participation Arrangement, the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

Section 3.08. Without limitation to the provisions of Sections 9.01 and 9.07 of the General Conditions, the Borrower shall, not later than thirty days after the conclusion of each semester during the implementation of the Project, starting for the semester which begins on January and ends on July, 2004, prepare and furnish to the Bank a report of such scope and in such detail, based on the Performance Indicators, as the Bank shall reasonably request with respect to the progress made in carrying out the Project during the semester immediately preceding the date of presentation of such report.

Section 3.09. (a) Without limitation to the provisions of Sections 9.01 and 9.07 of the General Conditions, the Borrower shall, not later than February of each year of Project implementation, starting in January 2005, review jointly with the Bank the progress made in: (i) carrying out the Project; and (ii) achieving the objectives of the Project, based on the relevant report referred to in Section 3.08 of this Agreement.

(b) As part of the annual review to be held not later than February 28, 2006, the Borrower shall carry out with the Bank a Project implementation mid-term review of such scope as set forth in the Implementation Letter.

Section 3.10. Without limitation to the provisions of Section 3.01 above, the Borrower shall:

(a) make available an amount equivalent to three million Dollars (\$3,000,000) as counterpart funds for the Project for each year during Project implementation; and

(b) to that effect, establish and thereafter maintain, until the completion of the Project, an account in BCRD, with an initial deposit of one million five hundred thousand Dollars (\$1,500,000) equivalent.

Section 3.11. The Borrower shall:

(a) enter into an agreement with PAHO, under terms and conditions satisfactory to the Bank, including those provisions related to eligibility of the Bank's member countries as provided in paragraph 1.6 of the Guidelines referred to in Part A of Section I of Schedule 4 to this Agreement (the PAHO Agreement), for the purchase of vaccines and related supplies for the Project, in accordance with procedures satisfactory to the Bank, by PAHO on behalf of the Borrower; and

(b) exercise its rights, and comply with its obligations, under the PAHO Agreement in such a manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, waive or fail to enforce such agreement or any provision thereof.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Accounts for each fiscal year audited, in accordance with auditing standards acceptable to the Bank, consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than four (4) months after the end of each such year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited; and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Bank may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in Section 3.08 of this Agreement, the Borrower shall prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first

calendar quarter; thereafter, each FMR shall be furnished to the Bank not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional events are specified:

(a) Law No. 42-01 or any provision thereof shall have been amended, suspended, abrogated, repealed, waived or not enforced in such a manner so as to affect materially and adversely, in the opinion of the Bank, the ability of the Borrower to carry out the Project or perform any of its obligations under this Agreement.

(b) Law No. 87-01 or any provision thereof shall have been amended, suspended, abrogated, repealed, waived or not enforced in such a manner so as to affect materially and adversely, in the opinion of the Bank, the ability of the Borrower to carry out the Project or perform any of its obligations under this Agreement.

Section 5.02. Pursuant to Section 7.01 (k) of the General Conditions, the following additional event is specified, namely, that any of the events specified in Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01(c) of the General Conditions:

(a) that the Operational Manual has been issued and put into effect;

(b) that the PCU has been properly staffed as set forth in Section 3.05 (b) of this Agreement;

(c) that financial management system referred to in Section 4.01 (a) of this Agreement, satisfactory to the Bank, shall have been established and become operational; and

(d) the Bank has been furnished with documentary evidence, satisfactory to it, confirming the deposit of the funds referred to in Section 3.10 (b) of this Agreement.

Section 6.02. The date September 25, 2003 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Technical Secretary of the Presidency of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Secretariado Técnico de la Presidencia
Palacio Nacional
Avenida México
Santo Domingo, República Dominicana

Facsimile:

(809) 695-8432

For the Bank:

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)

(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

DOMINICAN REPUBLIC

By /s/ Jesús Feris Iglesias
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Caroline Anstey
Acting Regional Vice President
Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be financed</u>
(1) Works	5,680,000	58%
(2) Goods	7,550,000	70%
(3) Vaccines and related supplies	390,000	80% until expenditures under this category have reached an amount equivalent to US\$240,000, and 60% thereafter
(4) Consultants' services (including audits) and training	15,580,000	78%
(5) Incremental Operating Costs	500,000	50% until expenditures under this category have reached an amount equivalent to US\$300,000, and 30% thereafter
(6) Premia for Interest Rate Caps and Interest Rate Collars	- 0 -	Amount due under Section 2.09 (c) of this Agreement

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be financed</u>
(7) Front-end fee	300,000	Amount due under Section 2.04 of this Agreement
TOTAL	<u>30,000,000</u>	

2. For the purposes of this Schedule:

(a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term “local expenditures” means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

(c) the term “training” means the non-consultant expenditures incurred by the Borrower in connection with the carrying out of training activities under the Project, including reasonable travel costs and per diem of trainees, rental of training facilities and equipment, and training materials; and

(d) the term “operating costs” means the non-consultant expenditures incurred by the Borrower in connection with the daily operation of the PCU, 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.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures under Category (3) unless the PAHO Agreement has been signed by the parties thereto; and

(b) payments made for expenditures prior to the date of this Agreement except that withdrawals, in an aggregate amount not exceeding the equivalent of \$3,000,000 may be made in respect of Categories (1), (2) and (4) on account of payments made for expenditures before that date but after May 5, 2003.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure (under such terms and conditions as the Bank shall specify by notice to the Borrower) for:

(a) works under contracts which are not subject to prior review pursuant to Part D.2.of Section I of Schedule 4 to this Agreement;

(b) goods under contracts which are not subject to prior review pursuant to Part D.2.of Section I of Schedule 4 to this Agreement;

(c) consulting firms under contracts costing less than \$100,000 equivalent;

(d) individual consultants under contracts costing less than \$50,000 equivalent;

(e) training; and

(f) operating costs.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (a) reduce child mortality, improve maternal health, and contribute to eradicate extreme poverty by protecting the poorest from financial loss due to ill health and disability; and (b) support the implementation of the Borrower's health sector reform legislation.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A: Health Services Coverage Extension

Extend the coverage of the Basic Health Plan to the poorest and most vulnerable population, focusing on reducing child and maternal mortality, including:

1. Extending health care coverage in selected priority regions (as detailed in the Operational Manual) using the national health insurance financing mechanism to deliver a set of essential health services.
2. Strengthening primary, secondary and tertiary level health facilities in five selected regions, including improving the quality of medical services provided and of the referral system among said levels and health networks, through the provision of technical assistance and training.
3. Improving medical care wastes handling and disposal in participating health facilities, including: (a) updating of a manual to address proper handling and disposal of medical wastes; (b) rehabilitation of infrastructure and the installation of equipment in the main local hospitals for the disposal of medical wastes; (c) establishing of waste management commissions in main local hospitals; and (d) training of health personnel in the application of standards to protect patients, health workers, and the community.
4. Applying national norms to improve the infrastructure and technological capacity of selected health facilities.
5. Developing integrated and decentralized health care networks at the regional levels as provided in Law 42-01 and Law 87-01.

Part B: Health Sector Reform Legislation

Provision of support for the implementation of Law 42-01 and Law 87-01 through the development of the necessary regulatory frameworks, organizational structures, financial instruments, training programs and information systems; including:

1. Strengthening the implementation of a universal family insurance system;
2. developing a public/private health services providers system;
3. separating financing from the provision of health care services;
4. gradually implementing a comprehensive basic health plan for all Dominicans irrespective of their socio-economic conditions and insurance status;
5. restructuring the health providers and health personnel payment system;
6. designing and implementing a plan to de-concentrate health sector decision-making by transferring technical and administrative tasks from the central level to lower levels, said plan to include the strengthening of lower level institutions;
7. designing a regulatory and contractual framework for managing and supervising decentralized health networks;
8. designing and implementing a training program to increase the management capacity of the managers of health network facilities and regulatory entities (central, regional and provincial);
9. implementing and consolidating health management information systems; and
10. designing and implementing a quality assurance system, including, institution-specific quality enhancement plans and accreditation and licensing of health care providers to raise the quality of services.

Part C: Essential Public Health Functions

Improvement of selected public health functions to promote and protect the health of the population through:

1. Designing and implementing: (a) a revamped national health surveillance system to assess public health risks, identify disease patterns, and make decisions on protection, and prevention; and (b) a ten-year national strategic plan proposal for gradual build up and consolidation of the Borrower's national health system.

2. Strengthening the capacity of the Borrower's: (a) National Public Health Laboratory; (b) cold storage facilities (cold chain); and (c) Laboratory Department and Blood Banks, as well as laboratory facilities for surveillance of food and water safety and clean air standards.
3. Designing and implementing a pharmaceutical surveillance system, including processes for approving and registering new drugs, for monitoring market, marketing, pricing and distribution of drugs, as well as for promoting the rational prescription and use of drugs.
4. Carrying out of studies for the design and preparation of proposals on: (a) support and strengthening of the Borrower's drug regulatory authorities and pharmacy faculties at public and private universities, including the design of related time and cost tables; (b) training for physicians, pharmacists and nurses, including training on pharmaco-epidemiology and pharmaco-surveillance; (c) medical and health professional education; and (d) relocation of the Borrower's National Forensic Pathology Institute.

Part D: Monitoring and Evaluation

Establishment of a system to monitor and evaluate Project implementation, including:

1. Designing and implementing an information, monitoring and evaluation system for Project implementation, including, the carrying out of studies required to assess the progress in Project implementation and follow-up; and
2. strengthening of the PCU to carry out its obligations under the Project (including its financial and procurement responsibilities) through the provision of technical assistance, training and equipment (as necessary).

* * *

The Project is expected to be completed by June 30, 2007.

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 shall 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 total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Date</u>	<u>Installment Share (Expressed as a %)</u>
On each April 15 and October 15	
Beginning October 15, 2008 through October 15, 2019	4.17%
On April 15, 2020	4.09%

2. If the proceeds of the Loan shall not 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 as follows:

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

(b) Any withdrawal made 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 shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts 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) Withdrawals made 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 3, if at any time the Bank shall adopt 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 principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be 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 said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said 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 principal amount of the Loan withdrawn and outstanding from time to time shall be 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.

SCHEDULE 4

Procurement

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of Contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$250,000 equivalent or more each.

(b) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Works estimated to cost less than \$3,000,000 equivalent per contract, up to an aggregate amount of \$4,400,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Goods estimated to cost less than \$250,000 equivalent per contract, up to an aggregate amount of \$4,000,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(c) Procurement of goods and works under this Part shall be carried out using standard bidding documents acceptable to the Bank.

2. Shopping

Goods estimated to cost \$50,000 equivalent or less per contract, and not exceeding in the aggregate \$4,300,000 equivalent, may be procured under contracts awarded on the basis of shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement of Small Works

Works estimated to cost less than \$250,000 equivalent per contract, up to an aggregate amount not to exceed \$5,100,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

4. Procurement from UN Agencies

Vaccines and related supplies, up to an aggregate amount not to exceed \$600,000, may be procured from PAHO, all in accordance with the provisions of paragraph 3.9 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

With respect to: (i) each contract for goods and works to be awarded under Part B.1 of this Section; and (ii) the first two contracts for goods and the first two contracts for

works to be awarded under Part C.1. of this Section, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provision shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph: the short list of consultants for services estimated to cost less than \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 and footnote 8 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services rendered by consulting firms estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services rendered by consulting firms estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Individual Consultants

Services rendered by individual consultants, as approved by the Bank, for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines, up to an aggregate amount not exceeding \$7,100,000 equivalent, shall be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Bank for its review and approval prior to the issuance to consultants of any requests for proposals. Such plan shall be updated every 12 months during the execution of the Project, and each such updating shall be furnished to the Bank for its review and approval. Selection of all consultants' services shall be undertaken in accordance with such selection plan (as updated from time to time) as shall have been approved by the Bank.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the report on the comparison of the qualifications and experience of candidates, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories (1) through (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term “Authorized Allocation” means the amount of \$2,250,000 to be withdrawn from the Loan Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to the amount of \$1,250,000 until the Bank has determined, based on the level and frequency of the withdrawals, that a higher amount is necessary.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the

Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the respective Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to

paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the respective Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

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