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LOAN NUMBER 7777-DO

# Loan Agreement

(Health Sector Reform Project – Second Phase (PARSS2))

between

DOMINICAN REPUBLIC

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated *October 30*, 2009

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LOAN AGREEMENT

Agreement dated October 30, 2009, between DOMINICAN REPUBLIC ("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 thirty million and five hundred thousand Dollars (\$30,500,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.
- 2.05. The Payment Dates are May 15 and November 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; 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.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for 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 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

#### **ARTICLE III — PROJECT**

- 3.01. The Borrower declares its commitment to the objectives of the Project and the Program. To this end, the Borrower shall carry out Parts A and C of the Project through CERSS and Parts B and D through MOH in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

#### **ARTICLE IV — EFFECTIVENESS; TERMINATION**

- 4.01. The Additional Condition of Effectiveness consists of the following, namely, that the Borrower has retained a procurement specialist at DDEI with qualifications and terms of reference satisfactory to the Bank.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than eighteen (18) months after the Bank's approval of the Loan which expire on March 17, 2011.

**ARTICLE V — REPRESENTATIVE; ADDRESSES**

5.01. The Borrower's Representative is its *Secretario de Estado de Hacienda*.

5.02. The Borrower's Address is:

Secretaría de Estado de Hacienda  
Avenida México No. 45, Gazcue  
Santo Domingo, Apartado Postal 1478  
República Dominicana

Tel:	Facsimile:
(809) 687-5131	(809) 688-8838

5.03. The Bank's Address is:

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

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

AGREED at the District of Columbia, United States of America, as of the day and year first above written.

**DOMINICAN REPUBLIC**

By



**Authorized Representative**

**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT**

By



**Authorized Representative**

## SCHEDULE 1

### Project Description

The objectives of the Project are to improve: (i) the capacity of the Borrower's RHSs to deliver in a timely fashion quality services known to improve the health of mothers, children and people with chronic conditions by public providers at the first level of care; and (ii) health system responsiveness, defined as the institutional capacity of public sector health organizations to conduct strategic purchasing of health care services and goods and to respond to public health emergencies.

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

Part A: Introduction of a Results-Based Financing Mechanism for the First-Level of Care in RHS

Financing of Capitation Transfers to Eligible RHSs to help ensure access by Eligible Beneficiaries to a package of basic ambulatory primary health care services (Basic FHI Services Package).

Part B: Strengthening of the MOH's Capacity to Improve and Monitor Health System Responsiveness While Fostering Transparency and Accountability

1. Strengthening of MOH's strategic planning and evaluation capacity to improve transparency and accountability with an emphasis on improving health system responsiveness, through, *inter alia*: (i) capacity building activities for the MOH to exercise its stewardship role under the Health Sector Reform Laws by: (A) financing the organizational changes required by the Health Sector Reform Laws (including the decentralization of the RHSs); and (B) strengthening and ensuring the continuity of health promotion and prevention interventions, public health emergency preparedness, and the epidemiologic surveillance system; (ii) the improvement of policies and information collection mechanisms regarding the primary health care level (including inpatient care) and the provision of support for the dissemination activities carried out by the MOH's Office of Access to Public Information (*Oficina de Acceso Público a la Información*); (iii) the provision of support for the preparation of the MOH's second ten-year health sector plan; (iv) assistance in connection with the monitoring and implementation of the Borrower's new biomedical waste management regulations; (v) the preparation of key studies and household surveys necessary for the next demographic and health survey to be prepared by the MOH; and (vi) the strengthening of the DDEI (including through the financing of the incremental Operating Costs of the PIU at DDEI).
2. Strengthening of MOH's and the RHSs' existing monitoring, information and evaluation systems for results-based financing through, *inter alia*: (i) capacity building activities for the MOH's National Office for Monitoring and Evaluation (*Unidad de Monitoreo y Evaluación de la DDEI*); (ii) the development of a specific information module on formal assignments and service delivery at the first level of care in the RHSs; and (iii) activities oriented to the incorporation of patient satisfaction and social audits into the Results Monitoring Indicators.

Part C: Improving the Quality of Public Spending on Health Care Goods and Services

1. Strengthening of public sector planning, procurement, and distribution of medicines and other medical inputs by PROMESE/CAL, with an emphasis on improving monitoring and evaluation as well as access by the poor to quality medicines at the first level of care, through: (i) the provision of technical assistance; (ii) the carrying out of Training; and (iii) the financing of goods (e.g., software), equipment and Non-Consultant Services.
2. Strengthening of the institutional capacity of NHI and other key stakeholders (including MEPD and MOF) to consolidate and expand the subsidized regime for the provision of health insurance, through: (i) the provision of technical assistance; (ii) the carrying out of Training; and (iii) the financing of equipment and other goods, consulting and Non-Consultant Services, and Operating Costs.
3. Support for the overall coordination of the Project, including the financing of: (i) the financial audits of the Project; (ii) Operating Costs under Parts A and C of the Project (including NHI's Operating Costs) for the implementation of those activities; and (iii) the development and execution of external audits to ensure that the services rendered under Part A of the Project are adequately delivered and the reported levels of achieved results are accurate and verifiable.

Part D: Support for Response to Public Health Emergencies

Strengthening of the MOH's capacity to coordinate and implement interventions to ensure a swift and efficient response by the health system to Health Emergencies involving major challenges to the public health (including the influenza virus A/H1N1), through the financing of, inter alia, educational and communication campaigns, training for emergency preparedness, Operating Costs for strengthening epidemiological surveillance, as well as medicines, vaccines, and other medical inputs such as laboratory reagents and masks.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

1. Not later than 30 days after the Effective Date, the Borrower shall establish, and thereafter maintain during the implementation of the Project, the following committees, each of them with a mandate, terms of reference and composition satisfactory to the Bank:
  - (a) a Project Oversight Committee (*Comité Directivo de Proyecto*) comprising the Borrower's Minister of Health, Minister of Economy, Planning and Development, Director of NHI, Director of PROMESE/CAL, and Director of CERSS, responsible for overseeing overall Project implementation, approving Project priorities and decisions, and the Project's annual Results Monitoring Indicators; and
  - (b) a Results-based Financing Committee (*Comité de Financiamiento por Resultados*) comprising representatives of MOH, MEPD, NHI, and the PCU, responsible for overseeing the day-to-day implementation of the results-based financing to the Eligible RHSs, as well as for providing technical advice and inter-institutional coordination needed for the appropriate implementation of Part A and other related activities under Parts B and C of the Project.
2. The Borrower shall maintain during the implementation of the Project the following units, each of them consisting of staff having experience and qualifications satisfactory at all times to the Bank:
  - (a) a PCU within CERSS responsible for: (i) overall Project coordination; and (ii) implementation of Parts A and C of the Project, with the assistance of NHI; and
  - (b) a PIU within DDEI at MOH, responsible for the management coordination, supervision, monitoring and evaluation of Parts B and D of the Project.
3. The Borrower shall ensure that MOH, MEPD, CERSS, NHI and PROMESE/CAL operate during the implementation of the Project in accordance with the Inter-Institutional Agreement dated July 30, 2009, with a view to ensuring the accelerated implementation of Health Sector Reform Laws and the introduction of mechanisms for improved results-based financing and accountability.

##### B. Implementation of Capitation Transfers to Eligible RHSs under Part A of the Project

1. For purposes of implementing Part A of the Project, the Borrower shall, through MOH and CERSS and in coordination with the NHI:



- (a) not later than 60 days after the Effective Date, enter into annual Performance Agreements with each Eligible RHS participating in the Project, in a form and conditions satisfactory to the Bank, which agreement shall include, *inter alia*, the following provisions:
    - (i) The Eligible RHS's obligation to:
      - (A) carry out the Performance Agreement and meet the targets against Results Monitoring Indicators specified or referred to therein;
      - (B) ensure, under the Capitation Transfers payment mechanism, that only services related to the delivery of the Basic FHI Services Package are being paid for;
      - (C) keep records and accounts of expenditures incurred for the delivery of the Basic FHI Services Package;
      - (D) undertake selected data collection activities relevant to the maintenance and update of the monitoring and information system for the Project, with a view to generate information pertinent to the implementation of Part A of the Project; and
      - (E) comply with the provisions of the Anti-Corruption Guidelines.
    - (ii) The technical aspects of the Capitation Transfers and the delivery of the Basic FHI Services Package, including: (A) the financing mechanisms for the delivery of the Basic FHI Services Package in the corresponding Eligible RHS; (B) the annual Results Monitoring Indicators; and (C) annual operational plans for implementation of the Project, all on terms and conditions satisfactory to the Bank.
    - (iii) The parties' obligation to exercise their rights and carry out their obligations under each Performance 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 in compliance with the terms of this Agreement and the Operational Manual.
    - (iv) Except as the Bank shall otherwise agree, the Borrower, through MOH, shall not assign, amend, abrogate, repeal, terminate, waive or fail to enforce any Performance Agreement or any provision thereof.
  - (b) The Borrower shall ensure, through MOH, that the annual Performance Agreements for the Project: (i) follow the model form included in the Operational Manual; and (ii) are submitted to the Bank for their prior review and approval.
2. The Borrower, through the PCU, prior to a request for financing of Capitation Transfers, shall: (a) establish a separate Capitation Transfer Fund Account; and (b) ensure that all amounts deposited in the Capitation Transfer Fund Account are used exclusively to make

payments for ensuring access to the Basic FHI Services Package to Eligible Beneficiaries.

3. The Borrower, through the PCU, with the assistance of the NHI, shall, pursuant to each Performance Agreement:
  - (a) make Capitation Transfers available to Eligible RHSs in accordance with detailed provisions, procedures, sequencing and timing in relation thereto set forth in the Operational Manual and the respective Performance Agreement, and to include, *inter alia*, the following requirements:
    - (i) During a period ending eight months after a first request for withdrawal shall have been made by the Borrower out of Category 1 of the table set forth in Section IV. A. 2 of Schedule 2 to this Agreement, the Borrower through the PCU, shall, no later than ten days thereof, proceed to make available 100% of the Capitation Transfers in respect of Eligible Beneficiaries after validation is made by NHI of the estimated number of Eligible Beneficiaries in each of the Borrower's participating RHS. No later than four months from the end of the above eight-month period, NHI shall reconcile such estimates against the certified number of Eligible Beneficiaries and make any necessary adjustments in subsequent Capitation Transfers to compensate for any difference.
    - (ii) Thereafter, the Capitation Transfers shall be made available to the Eligible RHS in two installments. The first such installment shall be 50% of the total amount of the Capitation Transfer, paid on a monthly basis upon certification and validation by NHI of a registry of eligible beneficiaries sent by the Eligible RHS for the corresponding month. The second installment for an amount up to the remaining 50% thereof, shall be paid every four months upon verification by NHI of the Eligible RHS's performance against agreed targets from the Results Monitoring Indicators, all as set forth in the Operational Manual and the Performance Agreements.
    - (iii) The certification and validation of the estimated number of Eligible Beneficiaries (including during the initial eight-month period referred to in item (i), above) and of Eligible RHS's performance against agreed targets from the Results Monitoring Indicators shall be made by NHI through the use of independent external technical audits to run concurrently with the implementation of the relevant activities under Part A of the Project and to be carried out by auditors appointed in accordance with the provisions of Section III of Schedule 2 to this Agreement and pursuant to terms of reference satisfactory to the Bank, such audit reports to be furnished to the Bank within 30 days following the last audited period of four months.
  - (b)
    - (i) verify and report, through the use of financial audits to be carried out by independent auditors appointed in accordance with Section III of Schedule 2 to this Agreement and pursuant to terms of reference

previously agreed with the Bank and as further specified in the Operational Manual, that the Capitation Transfers have been used for the purposes intended;

- (ii) ensure, as part of such audits, that the flow of funds in respect of the Capitation Transfers is in compliance with the relevant provisions of the Operational Manual and that the *per capita* amount used to calculate the Capitation Transfers is not higher than the actual cost of offering the Basic FHI Services Package (whether Eligible Beneficiaries use such services or not); and
  - (iii) ensure that the ensuing reports are furnished to the Bank not later than 4 months after the end of each Fiscal Year; and
- (c) ensure that, under each budget proposal to its legislature for the corresponding year during Project implementation, adequate arrangements are made by the Borrower to gradually assume a portion of the costs related to the Capitation Transfers which are financed on a declining basis out of the proceeds of the Loan, as set forth in Category 1 of the table in Section IV.A.2 of Schedule 2 to this Agreement.

2. The Borrower, through the PCU, the MOH and NHI, shall ensure that: (a) annual reviews of selected activities of Project implementation described in the Operational Manual, including of the Capitation Transfers mechanism, the menu of services of the Basic FHI Services Package and the Results Monitoring Indicators, are carried out jointly with the Bank; and (b) the implementation of the Project is subsequently carried out applying the views and recommendations of the Bank in that respect.

### **C. Operational Manual**

1. The Borrower shall carry out the project in accordance with a manual (the Operational Manual), satisfactory to the Bank, which shall include the rules, methods, guidelines, standard documents and procedures for the carrying out of the relevant parts of the Project, including the following:
- (i) the detailed description of Project implementation activities and the detailed institutional arrangements of the Project, including the Inter-Institutional Agreement;
  - (ii) Annex 1 to the Aide Memoire signed by the Borrower and the Bank on June 26, 2009;
  - (iii) (A) the criteria, means of determining the *per capita* cost, detailed rules and procedures for Capitation Transfers and the delivery of the Basic FHI Services Package by the Eligible RHSs under Performance Agreements to be entered with MOH and CERSS; (B) details of the contents and procedures for the carrying out of all financial and technical audits as well as (once a methodology is developed during Project implementation) social audits related to the delivery of the Basic FHI

Services Package; and (C) a detailed description of all the services under the Basic FHI Services Package;

- (iv) a model form for the annual Performance Agreements;
  - (v) the Project administrative, accounting, auditing, reporting, financial (including cash flow aspects in relation thereto), procurement and disbursement procedures (including customized statements of expenditures and all pertinent standard documents and model contracts in relation thereto);
  - (vi) the plan for the monitoring and supervision of the Project, including all environmental, physical, social and information technology related aspects in relation thereto; and
  - (vii) the Results Monitoring Indicators for the Project.
2. In the event that any provision of the Operational Manual shall conflict with this Agreement, the terms of this Agreement shall prevail.
  3. The Operational Manual may only be amended from time to time with the Bank's prior written consent.

**D. Anti-Corruption**

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

**E. Other Covenants**

1. In the case that by no later than two years and six months after the Effective Date a Health Emergency has not occurred and/or the Bank has not provided its written no objection for the disbursement of the proceeds of the Loan allocated to Part D of the Project, the resources allocated to Part D of the Project may be used at the request of the Borrower to finance activities under Part A, B, or C of the Project. Not later than two months from that date, the Borrower shall submit to the Bank for its approval, a proposal of how the resources under Part D of the Project will be allocated.

**Section II. Project Monitoring Reporting and Evaluation**

**A. Project Reports**

1. The Borrower, through the PCU at CERSS, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators agreed with the Bank and set forth in the Operational Manual. Each Project Report shall cover the period of four months, and shall be furnished to the Bank not later than one month after the end of the period covered by such report.

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

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

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Borrower shall, through the PCU and the PIU, prepare and furnish to the Bank not later than one month after the end of a four month period, interim unaudited financial reports for the Project covering the four month period, in form and substance satisfactory to the Bank.
3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one Fiscal Year. The audited Financial Statements for each such period shall be furnished to the Bank not later than four months after the end of such period.

**Section III. Procurement**

**A. General**

1. The Capitation Transfers shall not be subject to the Procurement and Consultant Guidelines.
2. **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.
3. **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.
4. **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.

<b>Procurement Method</b>
(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.

<b>Procurement Method</b>
(a) Quality Based Selection
(b) Selection under a Fixed Budget
(c) Least Cost Selection
(d) Selection Based on the Consultants Qualifications
(e) Single Source Selection
(f) Selection of Individual Consultants

**D. Review by the Bank of Procurement Decisions**

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

**Section IV. Withdrawal of Loan Proceeds**

**A. General**

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

the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<b>Category</b>	<b>Amount of the Loan Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be financed (inclusive of Taxes)</b>
(1) Capitation Transfers under Part A of the Project	14,523,750	100% until disbursements under this category have reached an amount of US\$1,350,000; 80% until such disbursements have reached an amount of US\$3,405,000; 70% until such disbursements have reached an amount of US\$7,380,000; and 60% thereafter.
(2) Goods, Non-consultant Services, consultants' services, Training and Operating Costs under Part B of the Project	7,000,000	70%
(3) Goods, Non-consultant Services, consultants' services (including audits), Training and Operating Costs under Part C of the Project	8,800,000	70%
(4) Goods, Non-consultant Services, consultants' services, Training and Operating Costs under Part D of the Project	100,000	100%
(5) Front-end Fee	76,250	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(6) Premia for Interest Rate Caps and Interest Rate Collars	0	Amount payable pursuant to Section 2.07 (c) of this Agreement
<b>TOTAL AMOUNT</b>	<b>30,500,000</b>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made under Category (4) for goods, Non-Consultant Services, consultants' services, Training and Operating Costs under Part D of the Project, unless a Health Emergency has been declared by the Borrower through a Ministerial Resolution to be issued by the Minister of Health, and the Bank has provided its prior written no objection to the Action Plan to be implemented.
2. The Closing Date is October 30, 2015.



**SCHEDULE 3**

**Amortization Schedule**

The Borrower shall repay the principal amount of the Loan in full on May 15, 2027.

## APPENDIX

### Section I. Definitions

1. "Action Plan" means the operational and procurement plans to be developed by the Borrower to respond to any Health Emergency.
2. "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.
3. "Basic FHI Services Package" means a package of basic ambulatory primary health care services for the first-level of care (as defined by NHI) provided under the Borrower's Family Health Insurance (*Seguro Familiar de Salud*) for the enrollees of the subsidized regime (*Régimen Subsidiado*) and delivered under Part A of the Project to Eligible Beneficiaries in Eligible RHSs, as further specified in the Operational Manual.
4. "Capitation Transfers" means financial resources transferred by the PCU at CERSS under the Project to Eligible RHSs (as hereinafter defined), calculated as the monthly *per capita* amount needed to ensure access by Eligible Beneficiaries (as hereinafter defined) to the Basic FHI Services Package (as hereinafter defined), as further referred to in Section I.B of Schedule 2 to this Agreement.
5. "Capitation Transfer Fund Account" means the account opened and managed by CERSS to receive Capitation Transfers out of the proceeds of the Loan to be disbursed pursuant to the terms and conditions set forth in the Operational Manual (as hereinafter defined).
6. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
7. "CERSS" means the Borrower's Executive Commission for Health Sector Reform (*Comisión Ejecutiva para la Reforma del Sector Salud*), established pursuant to the Borrower's Decree No. 308-97 of July 10, 1997, as amended to the date of this Agreement.
8. "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.
9. "DDEI" means the Borrower's Directorate of Institutional Strategic Development (*Dirección de Desarrollo Estratégico Institucional*), a department within MOH.
10. "Eligible Beneficiaries" means any individual from a poor household in the jurisdiction of each Eligible RHS and which is eligible to receive the Basic FHI Services Package in accordance with the Operational Manual.
11. "Eligible RHS" means each RHS (as hereinafter defined) meeting the eligibility criteria set forth in the Operational Manual to implement the activities under Part A of the Project.

12. "Fiscal Year" means the fiscal year of the Borrower starting on January 1 until December 31.
13. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated July 1, 2005 (as amended through February 12, 2008), with the modifications set forth in Section II of this Appendix.
14. "Health Emergency" means a serious and unforeseen public health emergency of national or international concern that has been: (i) determined as such in accordance with Annex VII of the Operational Manual; and (ii) formally declared by the Borrower's Minister of Health through a Ministerial Resolution, in accordance with the Borrower's Law 42-01, dated March 8, 2001.
15. "Health Sector Reform Laws" means the Borrower's Law 42-01, dated March 8, 2001, which established the legal framework for a national health system; and the Borrower's Law 87-01, dated May 9, 2001, which established the legal framework for the Borrower's new social security system.
16. "Inter-Institutional Agreement" means the agreement referred to in Section I.A.3 of Schedule 2 to this Agreement.
17. "MEPD" means the Borrower's Ministry of Economy, Planning and Development (*Secretaría de Estado de Economía, Planificación y Desarrollo*).
18. "MOF" means the Borrower's Ministry of Finance (*Secretaría de Estado de Hacienda*).
19. "MOH" means the Borrower's Ministry of Health (*Secretaría de Estado de Salud Pública y Asistencia Social*).
20. "NHI" means the Borrower's National Health Insurance Agency (*Seguro Nacional de Salud*, SENASA), established pursuant to Law 87-01 of the Borrower, dated May 9, 2001.
21. "Non-consultant Services" means services to be contracted for, *inter alia*, social communication campaigns, including surveys and outreach programs and information technology (IT) connection.
22. "Operating Costs" means the incremental expenses incurred on account of Project implementation, including office equipment and supplies, vehicle operation and maintenance, insurance costs, office administration costs, utilities, travel, *per diem* and supervision costs and salaries of locally contracted employees.
23. "Operational Manual" means the manual dated August 5, 2009, approved by the Bank, and referred to in Section I.C of Schedule 2 to this Agreement, as the same may be amended from time to time with the Bank's prior written consent.

24. "PCU" means the Project Coordinating Unit established within CERSS and responsible for the implementation of Parts A and C of the Project, as further described in Section I.A.2.(a) of Schedule 2 to this Agreement.
25. "PIU" means the Project Implementing Unit established within DDEI and responsible for the implementation of Parts B and D of the Project, as further described in Section I.A.2.(b) of Schedule 2 to this Agreement.
26. "Performance Agreement" means an agreement entered into annually among MOH, CERSS and an Eligible RHS for the delivery of the Basic FHI Services Package to Eligible Beneficiaries under Part A of the Project, as referred to in Section I.B.1 of Schedule 2 to this Agreement.
27. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004 and revised in October 2006.
28. "Procurement Plan" means the Borrower's procurement plan for the Project, dated August 5, 2009 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
29. "Program" means the Borrower's *Programa de Apoyo al Sector Salud* (PARSS), a program designed to reform the Borrower's health sector and set forth or referred to in the letter dated April 9, 2003 from the Borrower to the Bank.
30. "PROMESE/CAL" means the Borrower's Program of Supply of Essential Medicines and Office for Logistical Support (*Programa de Medicamentos Esenciales y Central de Abastecimiento y Logística*), established as an entity dependent from the Presidency of the Republic and responsible for the purchase and distribution of medicines, pursuant to the Borrower's Decree No.991-00 of October 18, 2000.
31. "Results Monitoring Indicators" means the list of ten indicators included in the Operational Manual which shall be included in each Performance Agreement, together with the agreed targets, in order to determine the percentage of each Capitation Transfer to be made by the Borrower and disbursed by the Bank.
32. "RHS" means a Regional Health Service (*Servicio Regional de Salud*), a regional public sector network of health care providers which include health centers and clinics in charge of providing basic health services in the Borrower's territory.
33. "Training" means: (a) reasonable travel, room, board and per diem expenditures incurred by trainers and trainees in connection with their training and by community health workers; (b) course fees; (c) training facility rentals; and (d) training material preparation, acquisition, reproduction and distribution expenses.

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

The modifications to the General Conditions are as follows:

1. Paragraph (a) of Section 2.05 is modified to read as follows:

“Section 2.05. Eligible Expenditures

- (a) The payment for the financing of the reasonable cost of goods, works, services or Capitation Transfers required for the Project, to be financed out of the proceeds of the Loan and procured, all in accordance with the provisions of the Legal Agreements;”

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

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

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

- (b) The definition of the term “Variable Rate” is modified, in relevant part, to read as follows:

“(c) upon a Currency Conversion to an Approved Currency of an amount of the Withdrawn Loan Balance that accrues interest at a variable rate during the Conversion Period, the variable rate of interest applicable to such amount shall be equal to either: (i) the sum of: (A) LIBOR, or such other base rate as may be agreed by the Borrower and the Bank, for the Approved Currency; plus (B) the spread to LIBOR or to such other base rate, if any, payable by the Bank under the Currency Hedge Transaction relating to said Currency Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the interest rate component of the Screen Rate.”