CONFORMED COPY

CREDIT NUMBER 48300-NI
GRANT NUMBER H6220-NI

Financing Agreement

(Improving Community and Family Health Care Services Project)

between

REPUBLIC OF NICARAGUA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 9, 2010
FINANCING AGREEMENT

AGREEMENT dated December 9, 2010, entered into between REPUBLIC OF NICARAGUA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association 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 — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant and a credit (collectively, “Financing”) in the following amounts to assist in financing the project described in Schedule 1 to this Agreement (“Project”):

(a) an amount equivalent to seven million three hundred thousand Special Drawing Rights (SDR 7,300,000) (“Grant”); and

(b) an amount equivalent to six million seven hundred thousand Special Drawing Rights (SDR 6,700,000) (“Credit”).

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are February 15 and August 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is U.S. Dollars.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project, through MOH, in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following, namely that the Procurement Law has been amended, suspended, abrogated, repealed or waived so as to render its Article 3(f) ineffective, in the opinion of the Association, and no provision analogous to such Article 3(f) has been adopted to replace said provision.

ARTICLE V — TERMINATION

5.01. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the Association, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section, but in no case later than the eighteen (18) months after the Association’s approval of the Financing which expire on June 7, 2012.

5.02. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement shall terminate is twenty years after the date of this Agreement.
ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is its Minister of Finance and Public Credit.

6.02. The Recipient’s Address is:

Ministerio de Hacienda y Crédito Público
Avenida Bolívar, Frente a la Asamblea Nacional
Managua, Nicaragua

Facsimile: (505) 2222-3033

6.03. The Association’s Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: Telex: Facsimile:
INDEVAS 248423 (MCI) 1-202-477-6391
Washington, D.C.

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

REPUBLIC OF NICARAGUA

By /s/ Alberto José Guevara Obregón

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Laura Frigenti

Authorized Representative
SCHEDULE 1

Project Description

The objectives of the Project are to: (i) improve the access to, and the quality of, preventive and promotion health and nutrition services among poor and vulnerable populations in the Recipient’s territory; (ii) strengthen the operational capacity of the MOH through the rehabilitation of health centers; and (iii) ensure financial support in case of a public health emergency.

The Project consists of the following parts:

Part A. Expansion of Coverage of Health Services

Financing of Capitation Payments to ensure access by Eligible Beneficiaries to Health Services, through:

(a) the expansion of coverage of Health Services in the Selected Municipalities and in the Indigenous Territories of Alto Wangki and Bokay;

(b) the standardization of the Health Services;

(c) the improvement of the quality of Health Services; and

(d) the implementation of the MOSAFC.

Part B. Institutional Strengthening of MOH, Rehabilitation of Health Care Networks and Contingent Financing of Public Health Emergencies

1. Strengthening of the institutional capacity of essential public health functions of the MOH and rehabilitation of municipal and national health facilities of the Recipient, through:

(a) the strengthening of the supervision and management capacities of the MOH administrative central structures and Selected SILAIS for the overall coordination, supervision, and implementation of the MOSAFC;

(b) the acquisition of equipment and the rehabilitation of facilities in the Municipal Health Networks for the implementation and execution of the MOSAFC;

(c) the replacement of medical and non-medical equipment required to re-establish the operating capacity of the Recipient’s National Health Networks;
(d) the creation of two mobile regional repair units for medical and non-medical equipment to serve the immediate repair needs of SILAIS and Municipal Health Networks; and

(e) the implementation of the IPPF to ensure that the Health Services are culturally adapted to the needs, and practices of the relevant Indigenous Peoples communities.

2. Financing of goods, minor rehabilitation works, consultants’ services (including non-consultant services) and operating costs in the case of a Public Health Emergency.

**Part C. Strengthening of MOH’s Capacity to Administer, Supervise and Evaluate the Implementation of Health Services**

1. Strengthening of MOH’s capacity for administering, supervising and evaluating the activities referred to in Part A of the Project, including the carrying out of an internal technical audit.

2. Carrying out of the annual external technical audits to validate the number of Eligible Beneficiaries receiving services and the achievement of Performance Goals.

3. Carrying out of the annual Project external financial audit.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall maintain at all times within MOH during the implementation of the Project, relevant structures and units described in the Operational Manual, including a technical committee, all of which shall be formed of staff in numbers and with experience and qualifications satisfactory to the Association.

2. For purposes of implementing Part A of the Project, the Recipient, through MOH, shall:

(a) carry out said Part of the Project in the Indigenous Territories of Alto Wangki and Bokay;

(b) enter into an internal annual arrangement (Management Arrangement) with each Selected SILAIS, in form and conditions satisfactory to the Association, which arrangement shall establish the terms and conditions for the Selected SILAIS to carry out the activities under Part A of the Project and which shall include, *inter alia*, the Selected SILAIS’ obligation to:

(i) guarantee the delivery of the Health Services;

(ii) supervise and monitor the performance of the Health Services delivered;

(iii) transfer the funds received as Capitation Payments to the Selected Municipalities in accordance with: (i) the population of the Selected Municipality; and (ii) the relevant per capita amount agreed with the Selected Municipality;

(iv) enter into separate Municipal Agreements with each Selected Municipality as per Section I.A.5 of Schedule 2 to this Agreement;

(v) supervise, keep records of Health Services and progress reports on Performance Indicators and Performance Goals set forth in each Municipal Agreement; and
(vi) comply with the provisions of the Operational Manual (including the IPPF and the EAF) and the Anti-Corruption Guidelines; and

(c) exercise its rights and carry out its obligations under each Management Arrangement in such a manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing.

3. Except as the Recipient and the Association may otherwise agree in writing, the Recipient shall not abrogate, amend, suspend, terminate, waive or otherwise fail to enforce any Management Arrangement or any provision thereof.

4. In case of any conflict between the terms of any Management Arrangement and those of this Agreement, the terms of this Agreement shall prevail.

5. Without limitation to the provisions set forth in paragraph 2 of this Section, and for purposes of implementing Part A of the Project, the Recipient, through MOH (through SILAIS), shall:

(a) enter into an annual agreement (Municipal Agreement) with each Selected Municipality, in terms and conditions satisfactory to the Association, setting forth, inter alia:

   (i) the obligation of the MOH (through the SILAIS) to transfer the pertinent Capitation Payments to the relevant Selected Municipality on a per capita basis to finance the delivery of Health Services;

   (ii) the obligation of the relevant Selected Municipality to: (A) provide Health Services and meet at least seven of the Performance Indicators specified or referred to in the relevant Municipal Agreement; (B) keep records of Health Services provided and progress reports on Performance Indicators; and (C) comply with the provisions of the Operational Manual (including the IPPF (including the preparation of, and compliance with, the relevant Indigenous Peoples plan, as required) and the EAF (including the preparation of, and compliance with, the relevant environmental action plan, as needed)) and the Anti-Corruption Guidelines;

   (iii) the amount of Córdobas to be transferred per person (per capita) by MOH (through the SILAIS) to the relevant Municipalities;
(iv) the mechanism to periodically adjust the amount of Eligible Beneficiaries for purposes of determining the per capita transfers referred to in Section I.A.5.(a)(iii) of Schedule 2 to this Agreement;

(v) the Performance Indicators and the corresponding performance goals (the Performance Goals) and the mechanism to annually adjust the referred Performance Indicators and Performance Goals; and

(vi) (A) a list of incentives to apply when a Municipal Health Network reaches seventy percent or more of the Performance Goals, which shall include additional career training for the staff that compose the relevant Municipal Health Network, access to benefits and public recognition for the good work in case of a satisfactory evaluation, and (B) a list of penalties to apply when a Municipal Health Network reaches less than fifty percent of the Performance Goals, which shall include the obligation of the Municipal Health Network to prepare an action plan outlining the steps to be taken to achieve satisfactory performance in case of an unsatisfactory performance, all as determined by the MOH based on the technical audits referred to in Section I.A.12(a) of Schedule 2 to this Agreement; and

(b) exercise its rights and carry out its obligations under each Municipal Agreement in such a manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing.

6. Except as the Recipient and the Association may otherwise agree in writing, the Recipient shall not abrogate, amend, suspend, terminate, waive or otherwise fail to enforce any Municipal Agreement or any provision thereof.

7. In case of any conflict between the terms of the Municipal Agreement and those of this Agreement, the terms of this Agreement shall prevail.

8. For purposes of implementing Part B of the Project, the Recipient, through MOH shall, inter alia:

   (a) coordinate and carry out all the activities under said Part B of the Project;

   (b) monitor the Project’s results indicators at the macro level;
(c) coordinate with the MOH’s procurement division and the MOH’s general division of financial management on fiduciary aspects of Project management;

(d) implement or supervise, as the case may be, the implementation of the IPPF and EAF, and prepare bi-annual technical reports on the status of Project implementation; and

(e) ensure that any works to be carried under the Project do not involve any Involuntary Resettlement.

9. (a) Without limitation to Section I.A.8 of Schedule 2 to this Agreement, and prior to implementing any activities under Part B.2 of the Project, the Recipient shall carry out all assessments required by the Association (under terms of reference satisfactory to the Association and with scope and detail satisfactory to the Association) and prepare and implement all plans required by the Association (under terms of reference satisfactory to the Association and with scope and detail satisfactory to the Association).

(b) Without limitation to Sections I.A.9 (a) of Schedule 2 to this Agreement, prior to carrying out any activities under Part B.2 of the Project, the Recipient shall submit to the Association, for the Association's review and approval: (i) a proposed list of the goods, works, consultant services, Non-Consultant Services and Operating Costs proposed to be financed under Category (3) of the Project (including a procurement plan); and (ii) an estimated flow of funds needs. The Recipient shall carry out Part B.2 of the Project in accordance with the list and estimated flow of funds needs above-referred.

10. For purposes of implementing Part C.4 of the Project the Recipient, through MOH, shall enter into an agreement with INIDE (MOH-INIDE Agreement), satisfactory to the Bank, whereby:

(a) the Recipient, through MOH, agrees to:

   (i) carry out the financial management aspects (including the handling of all Financing funds) and procurement activities of Part C.4 of the Project;

   (ii) support the Implementation of all the activities to be carried out under Part C.4 of the Project by providing INIDE with all the required goods, consultant services and Non-Consultant Services for said Part C.4 of the Project;
(iii) abide by the technical decisions made by INIDE with respect to Part C.4 of the Project; and

(iv) not to transfer Financing proceeds to INIDE; and

(b) INIDE agrees to provide technical support and leadership for, and coordinate the technical aspects of, the activities under Part C.4 of the Project, all of this in a manner consistent with the provisions of this Agreement (including, but not limited to, the Anticorruption Guidelines).

(c) The Recipient shall exercise its rights and carry out its obligations under the MOH-INIDE Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association otherwise agree, the Recipient shall not assign, amend, abrogate, terminate, waive or fail to enforce the MOH-INIDE Agreement or any of its provisions. In case of any conflict between the terms of the MOH-INIDE Agreement and those of this Agreement, the terms of this Agreement shall prevail.

11. The Recipient, through MOH, shall ensure that the Management Arrangements and the Municipal Agreements for the Project include all provisions set forth in the model form included in the Operational Manual.

12. The Recipient, through MOH, shall:

(a) carry out annual technical audits to run concurrently with the implementation of the relevant activities under Part A of the Project, to monitor the SILAIS’ and the Selected Municipalities’ compliance with the obligations set forth in the Management Arrangements and in the Municipal Agreements, and furnish such audit reports to the Association on an annual basis, not later than three months after the expiration of the relevant Management Arrangements; and

(b) carry out annual social consultations (auditorías sociales) to ensure that the SILAIS and the Selected Municipalities apply rules in a consistent and transparent manner and that the Eligible Beneficiaries understand said rules; and publish the results of each such social consultations in annual reports posted in the Selected Municipalities and in MOH’s website.

13. The Recipient, through MOH, shall:

(a) verify, (through the use of Independent Technical Audits to be carried out by independent auditors acceptable to the Association, who shall carry out said technical audits and prepare an audit report in respect of
each such audits pursuant to terms of reference previously agreed with the Association, and in accordance with consistently applied auditing standards acceptable to the Association), that: (i) the technical audits carried out by MOH and submitted to the Association, referred to in Section I.A.12(a) of Schedule 2 to this Agreement, reflect reliable and accurate results; (ii) the Capitation Payments transferred under the Management Arrangements and the Municipal Agreements have been used for the purposes intended; (iii) the Selected Municipalities have achieved at least five of the Performance Goals; and (iv) whether the list of Eligible Beneficiaries accurately reflects the number of people that are eligible to receive the Health Services in the relevant Selected Municipality;

(b) ensure, as part of the Independent Technical Audits, that the flow of funds in respect of the pertinent Capitation Payments made by the Recipient to the Selected Municipalities is in compliance with the relevant provisions of the Operational Manual, and the additional instructions referred to in Section IV.A.1 of Schedule 2 to this Agreement; and

(c) furnish to the Association the independent audit reports prepared under Section I.A.13(a) of Schedule 2 to this Agreement on an annual basis.

B. Operational Manual

1. The Recipient shall carry out and/or cause to be carried out, the Project in accordance with an operational manual, satisfactory to the Association; said manual to include, inter alia:

(a) the detailed description of Project implementation activities, their sequencing, timetable, benchmarks and the institutional arrangements of the Project;

(b) (i) the criteria, costing mechanism, detailed rules and procedures for transfers of the Capitation Payments by MOH (through the SILAIS) to the Selected Municipalities under Municipal Agreements; (ii) details of the contents and procedures for the carrying out of all financial and technical audits and social consultations; and (iii) a detailed description of all the Health Services.

(c) the list of Selected Municipalities and the Indigenous Territories of Alto Wangki and Bokay that will participate in Part A of the Project;

(d) the list of SILAIS that will participate in the Project;
(e) the list of Health Services that are part of the MOSAFC and that include preventive and promotion health and nutrition services to be provided by the Municipal Health Networks;

(f) the model form for the Management Arrangement and Municipal Agreement;

(g) the Project administrative, accounting, auditing, reporting, financial (including cash flow aspects in relation thereto), procurement and disbursement procedures (including all pertinent standard documents and model contracts in relation thereto);

(h) the IPPF and the EAF for the Project;

(i) the plan for the monitoring and supervision of the Project, including all environmental, project progress and social aspects in relation thereto;

(j) a list of twenty one (21) possible indicators to evaluate the performance of the Selected Municipalities; and

(k) the indicators to evaluate the performance of the Project.

2. Except as the Recipient and the Association may otherwise agree in writing, the Recipient shall not abrogate, amend, suspend, terminate, waive or otherwise fail to enforce the Operational Manual or any provision thereof.

3. In case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

C. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the Project Indicators acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than two months after the end of the period covered by such report.
2. For purposes of Section 4.08 (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 Association not later than six months after the end of the period covered by such Report.

B. Financial Management, Financial Reports and Audits

1. The Recipient, through MOH, shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient, through MOH, shall prepare and furnish to the Association as part of the Project Report, interim unaudited financial reports for the Project covering the calendar semester, in form and substance satisfactory to the Association.

3. The Recipient, through MOH, shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one calendar year (covering the period starting January 1 and ending December 31 of each year) of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

Section III. Procurement

A. General

1. Goods, Works and Non-consultant services. All goods, works and non-consultant services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants’ Services. All consultants’ services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association 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, Works and Non-consultant Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works 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 Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
</tbody>
</table>

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 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:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Selection based on Consultant’s Qualifications (CQS)</td>
</tr>
<tr>
<td>(b) Quality-based Selection (QBS)</td>
</tr>
<tr>
<td>(c) Least Cost Selection (LCS)</td>
</tr>
<tr>
<td>(d) Single Source Selection (SSS)</td>
</tr>
<tr>
<td>(e) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(f) Procedures set forth in Paragraphs 5.2, 5.3 and 5.4 of the Consultant Guidelines for the Selection of Individual Consultants (IC)</td>
</tr>
</tbody>
</table>

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

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

1. In addition and without limitation to any other provisions set forth in this Section or the Procurement Guidelines, the following principles of procurement shall expressly govern all procurement of goods and non-consultant services under either International Competitive Bidding, National Competitive Bidding or Shopping:

   (a) Foreign bidders shall not be required to be registered with local authorities as a prerequisite for bidding.

   (b) No bids shall be rejected, and no provisional awards shall be made at the time of bid opening.

   (c) The invitation to bid shall not establish, for purposes of acceptance of bids, minimum or maximum amounts for the contract prices.

   (d) The invitation to bid shall not publish the estimated cost of the contract.

   (e) The invitation to bid shall not require mandatory attendance to a pre-bid meeting as a condition to bid.

   (f) In the case of Shopping, a minimum of three quotations shall be obtained as a condition to award the contract.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association 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 Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Capitation Payments under Part A of the Project</td>
<td>0</td>
<td>6,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods (excluding pesticides), Minor Rehabilitation Works, consultants’ services, Non-Consultant Services and Operating Costs under Parts B.1 and C of the Project</td>
<td>6,000,000</td>
<td>650,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods (excluding pesticides), Minor Rehabilitation Works, consultants’ services, Non-Consultant Services and Operating Costs under Part B.2 of the Project</td>
<td>700,000</td>
<td>650,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>6,700,000</td>
<td>7,300,000</td>
<td></td>
</tr>
</tbody>
</table>

3. For the purposes of this Section:

   (a) the term “Minor Rehabilitation Works” means rehabilitation works of existing physical structures, installation of internal divisions within said physical structures and reparations in general (excluding extensions and/or new constructions);

   (b) the term “Non-consultant Services” means the reasonable cost of expenditures incurred on account of Project implementation to cover reasonable costs of data collection services and other services which are
not rendered by consultants, which are not covered in the definition of Operating Costs set forth in paragraph (b) below, and which can be procured on the basis of performance of measurable physical outputs; and

(c) the term “Operating Costs” means incremental operating costs required for the implementation of the Project including: (i) consumable materials and supplies; (ii) communications, mass media and printing services; (iii) vehicle rental, operation and maintenance; (iv) charges for the opening and operation of bank accounts required for the Project; (v) travel, lodging and per diem for implementing and monitoring Project related activities; and (vi) salaries of fiduciary staff within MOH, which would not have been incurred absent the Project.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

(a) for payments made prior to the date of this Agreement, except that withdrawals from the Grant Account up to an aggregate amount not to exceed one hundred fifty thousand Dollars ($150,000) equivalent may be made for payments made within twelve (12) months prior to the date of this Agreement but on or after January 1, 2010, for Eligible Expenditures under Categories (1) and (2); or

(b) under Category (3) unless: (i) a Public Health Emergency has been declared by the Recipient; and (ii) the Recipient has provided a letter to the Association including: (A) legal evidence, satisfactory to the Association, of the declaration of a Public Health Emergency; (B) a list of the goods, works, consultants’ services and Operating Costs proposed to be financed under Category (3) of the Project to address the needs of the Public Health Emergency (including a procurement plan) acceptable to the Association; (C) the estimated flow of funds needs; and (D) the assessments and plans that the Association may require under Section I.A.9(a) of Schedule 2 to this agreement.

2. The Recipient and the Association hereby agree that, in the event that the condition referred in Section B.1 (b) above has not been met and any Financing proceeds allocated to Category (3) remain unwithdrawn by a date twenty-four (24) months after the Effective Date, the Association, may at the request of the Recipient, reallocate such amounts to Categories (1) and (2) provided that at least seventy (70) percent of the Financing has been committed under Category (1) and/or under Category (2).
3. The Closing Date is September 30, 2015.

C. **Reduction in Amounts Disbursed Under Category (1)**

   If the relevant Independent Technical Audit reveals that (i) any of the Selected Municipalities has not achieved at least five of its relevant Performance Goals and/or (ii) the amount of Eligible Beneficiaries for any Selected Municipality needs to be adjusted to adequately reflect the number of people who meet the eligibility criteria required to qualify as Eligible Beneficiaries, disbursements under Category (1) shall be adjusted and/or reduced in the proportion set forth in the additional instructions referred to in Section IV.A.1 of Schedule 2 to this Agreement.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each February 15 and August 15:</td>
<td></td>
</tr>
<tr>
<td>commencing February 15, 2021 to and including August 15, 2030</td>
<td>1%</td>
</tr>
<tr>
<td>commencing February 15, 2031 to and including August 15, 2050</td>
<td>2%</td>
</tr>
</tbody>
</table>
APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 with the modifications set forth in Section III of this Appendix.

2. “Capitation Payments” means the financial resources transferred by the Recipient to Selected Municipalities calculated as an annual average per capita amount initially determined to be the equivalent in Córdobas to USD3.6 needed to ensure the access of Eligible Beneficiaries (as hereinafter defined) to the Health Services.

3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


5. “Córdobas” means the currency of the Recipient.

6. “EAF” means the Recipient’s environmental management framework dated July 23, 2010 and published on the MOH’s webpage on July 26, 2010 for health care waste management, and screening and carrying out of rehabilitation works, all under the Project.

7. “Eligible Beneficiaries” mean all individuals from poor households living in Selected Municipalities (as hereinafter defined), which are eligible to receive the Health Services.

8. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.

9. “Health Services” means the set of basic health services referred to in Section I.B.1(e) of Schedule 2 to this Agreement.

10. “Independent Technical Audit” means any of the audits referred to in Section I.A.13(a) of Schedule 2 to this Agreement.
11. “Indigenous Peoples” means, a social group of people with a distinct social and cultural identity that makes them vulnerable to being disadvantaged in the development process, including the presence in varying degrees of the following characteristics: (i) a collective attachment to geographically distinct habits or ancestral territories and to the natural resources in these areas; (ii) self-identification and identification by others as members of a distinct cultural group; (iii) an indigenous language often different from the official language of the country or region language; and (iv) presence of customary, cultural, economic, social or political institutions that are separate from those of the dominant society and culture.


14. “Involuntary Resettlement” means the impact of: (i) an involuntary taking of land under the Project, which taking causes affected persons to have their: (a) income source or means of livelihood adversely affected (whether or not the affected persons must move to another location); or (b) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (c) access to productive assets adversely affected, temporarily or permanently; or (d) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently, or (ii) an involuntary restriction of access to legally designated parks and protected areas (including reserves) which causes an adverse impact on the livelihoods of the displaced persons.


17. “Management Arrangement” means any of the agreements to be entered into between the MOH and any Selected SILAIS (Acuerdos Sociales por la Salud y el Bienestar), referred to in Section I.A.2(b) of Schedule 2 to this Agreement.


19. “MOH – INIDE Agreement” means the agreement to be entered into between the MOH and INIDE, referred to in Section I.A.10 of Schedule 2 to this Agreement.

20. “MOSAFC” means Modelo de Salud Familiar y Comunitario, the Recipient’s Community and Family Health Model, which includes the set of principles, regulations, plans, programs and instruments for the health promotion, protection, recovery and rehabilitation referred to under Title VII of Law No. 423.


22. “Municipal Agreement” means an agreement to be entered into between a Selected SILAIS and a Municipality (Acuerdos Sociales por la Salud y el Bienestar con el Nivel Municipal), referred to in Section I.A.5(a) of Schedule 2 to this Agreement.

23. “Municipal Health Network” means Red Municipal de Salud, the Recipient’s municipal health network which includes base houses and maternity houses, family and community health posts and centers, and primary and secondary referral public hospitals, all of which are used by Municipalities to provide basic health services.

24. “National Health Network” means Red Nacional de Salud Pública, the Recipient’s public national health network which includes base houses and maternity houses, family and community health posts and centers, primary and secondary, referral public hospitals, and national services for tertiary care all in charge of providing health services to the Recipient’s population.

25. “Official Gazette” means the Recipient’s official gazette (La Gaceta).


27. “Performance Goals” means specific goals for the achievement of Performance Indicators agreed from time to time between a SILAIS and the relevant Selected Municipality as referred in Section I.A.5(a)(v) of Schedule 2 to this Agreement.

28. “Performance Indicators” means a list of ten (10) indicators for Part A of the Project selected from the list of indicators set forth in the Operational Manual,
which shall be included in each Management Arrangement and Municipal Agreement.


30. “Procurement Law” means Ley de Contrataciones del Estado, the Recipient’s Law No. 323, which was enacted on December 2, 1999 and published in the Official Gazette Nos. 1 and 2 on January 3, 2000 and January 4, 2000 respectively, as amended through June 13, 2002.

31. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated July 30, 2010 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.

32. “Project Indicators” means the indicators referred to in Section B.1(k) of Schedule 2 to this Agreement.

33. “Public Health Emergency” means an emergency (emergencia sanitaria) declared by the MOH in accordance with Article 21 of Law No. 423.

34. “Selected Municipalities” means any of the thirty-two (32) political subdivisions of the Recipient that participate in Part A of the Project, as referred to in Section I.B.1(c) of Schedule 2 to this Agreement.

35. “Selected SILAIS” means any of the seven (7) SILAIS of the Recipient that participate in Part A of the Project, as referred to in Section I.A.2(b) of Schedule 2 to this Agreement.

36. “SILAIS” means Sistema Local de Atención Integral en Salud, any deconcentrated administrative and operative unit of the MOH responsible for the development of health in a specific territory of the Recipient, and consisting of health units and centers, local hospitals and SILAIS’ administrative offices, created pursuant to Law No. 423.

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 is for the financing of the reasonable cost of goods, works, services or Capitation Payments required for the Project, to be financed out of the proceeds of the Financing and procured, all in accordance with the provisions of the Legal Agreements;”

Section III. **Modifications to the Anti-Corruption Guidelines**

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

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

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

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

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

Footnotes:

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

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

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