June 4, 2012

His Excellency
Frank de Lima
Minister of Economy and Finance
Ministry of Economy and Finance
Panamá City, Panamá

Re: IBRD Loan 7587-PA: PANAMA Health Equity and Performance Improvement Project

Dear Minister de Lima,

I refer to the Loan Agreement between the International Bank for Reconstruction and Development (the "Bank") and Republic of Panama (the "Borrower") for the above-referenced project, dated September 30, 2008. The Agreement provides that the Bank may issue additional instructions regarding the withdrawal of the proceeds of Loan 7587-PA ("Loan"). This letter ("Disbursement Letter"), as revised from time to time, constitutes the additional instructions.

This letter is a First Restatement of the Disbursement Letter dated September 30, 2008, for the above referenced project, restating Section II (ii) with a new address to send withdrawal applications, and Section IV. Other Disbursement Instructions by removing the last sentence of the third paragraph which required annual certification by the Contraloria General of the list of eligible individuals receiving capitation payments. All other provisions and attachments of the Disbursement Letter dated June 18, 2008, except as amended, shall remain in force and effect.

The attached World Bank Disbursement Guidelines for Projects, dated May 1, 2006, ("Disbursement Guidelines") are an integral part of the Disbursement Letter. The manner in which the provisions in the Disbursement Guidelines apply to the Loan is specified below. Sections and subsections in parentheses below refer to the relevant sections and subsections in the Disbursement Guidelines and, unless otherwise defined in this letter, the capitalized terms used have the meanings ascribed to them in the Disbursement Guidelines.

I. Disbursement Arrangements

(i) Disbursement Methods (section 2). The following Disbursement Methods may be used under the Loan:

- Reimbursement
- Advance
- Direct Payment
(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is 4 months after the Closing Date specified in the Loan Agreement. Any changes to this date will be notified by the Bank.

(iii) Disbursement Conditions (subsection 3.8). Please refer to the Disbursement Condition(s) in the Loan Agreement.

II. Withdrawal of Loan Proceeds

(i) Authorized Signatures (subsection 3.1).
A letter in the Form attached should be furnished to the Bank at the address indicated below providing the name(s) and specimen signature(s) of the official(s) authorized to sign Applications:

The World Bank
1818 H Street, N.W.
Washington, DC 20433
United States of America
Attention: Felipe Jaramillo, Country Director

(ii) Applications (subsections 3.2 - 3.3). Please provide completed and signed applications for withdrawal, together with supporting documents, to the address indicated below:

Banco Mundial
Sector Comercial Norte
Quadra 02, Lote A
Edificio Corporate Finance Center
7º andar
70712-900 Brasilia, D.F.
Brazil
Attention: Loan Department

(iii) Electronic Delivery (subsection 3.4) The World Bank may permit the Recipient to electronically deliver to the World Bank Applications (with supporting documents) through the World Bank’s Client Connection, web-based portal. The option to deliver Applications to the World Bank by electronic means may be effected if: (a) the Recipient has designated in writing, pursuant to the terms of subparagraph (i) of this Section, its officials who are authorized to sign and deliver Applications and to receive secure identification devices ("Tokens") from the World Bank for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the Recipient have registered as users of Client Connection. If the World Bank agrees, the World Bank will provide the Recipient with Tokens for the designated officials. Following which, the designated officials may deliver Applications electronically by completing Form 2380, which is accessible through Client Connection (https://clientconnection.worldbank.org). The Recipient may continue to exercise the option of preparing and delivering Applications in paper form. The World Bank reserves the right and
may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Recipient.

(iv) Terms and Conditions of Use of Tokens to Process Applications. By designating officials to accept Tokens and by choosing to deliver the Applications electronically, the Recipient confirms through the authorized signatory letter its agreement to: (a) abide by the Terms and Conditions of Use of Secure Identification Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation ("Terms and Conditions of Use of Tokens"); and (b) to deliver the Terms and Conditions of Use of Tokens to each such official and to cause such official to abide by those terms and conditions.

(v) Minimum Value of Applications (subsection 3.5). The Minimum Value of Applications for direct payments and reimbursements is USD $800,000.

(vi) Advances (sections 5 and 6) to Ministry of Health for Component 1.

- **Type of Designated Account** (subsection 5.3): Pooled
- **Currency of Designated Account** (subsection 5.4): US Dollars
- **Financial Institution at which the Designated Account Will Be Opened** (subsection 5.5): Banco Nacional de Panama
- **Ceiling** (subsection 6.1): USD 2,000,000

(vii) Advances (sections 5 and 6) to Ministry of Health for Component 2, 3 and 4.

- **Type of Designated Account** (subsection 5.3): Pooled
- **Currency of Designated Account** (subsection 5.4): US Dollars
- **Financial Institution at which the Designated Account Will Be Opened** (subsection 5.5): Banco Nacional de Panama
- **Ceiling** (subsection 6.1): USD 1,500,000

III. Reporting on Use of Loan Proceeds

(i) Supporting Documentation (section 4). Supporting documentation should be provided with each application for withdrawal as set out below:

- **For requests for Reimbursement**:
  - Summary Statement in the form attached with records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments made under contracts for:
Goods and works valued at US$250,000 equivalent per contract or more:
- Consultant firms costing US$100,000 equivalent per contract or more:
  - and
- Individual consultants costing US$50,000 equivalent or more;

Consultant firms costing US$100,000 equivalent per contract or more:
- Individual consultants costing US$50,000 equivalent or more;

For reporting eligible expenditures paid from the Designated Account:
- Summary Statement in the form attached with records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments made under contracts for:
  - Goods and works valued at US$250,000 equivalent per contract or more;
  - Consultant firms costing US$100,000 equivalent per contract or more:
  - and
  - Individual consultants costing US$50,000 equivalent or more;

- Customized Statements of Expenditure in the form attached for capitated payments under Component 1 and other disbursement instructions included in this letter; and,
- Statements of Expenditure in the form attached for payments that do not exceed the thresholds established above including Operating Costs, Communication Costs and Training.

- Designated Account Activity Statement in the form attached with a copy of the Designated Account Bank Statement.

For requests for Direct Payment: records evidencing eligible expenditures, e.g., copies of receipts, supplier invoices.

(ii) Frequency of Reporting Eligible Expenditures Paid from the Designated Account (subsection 6.3): Quarterly

IV. Other Disbursement Instructions

Category 1 will finance, on a declining basis, capitated payments to provide a package of basic health services for eligible beneficiaries in selected underserved rural areas of the Borrower’s territory (PSPV-Protección en Salud para Poblaciones Vulnerables).

Loan proceeds for capitated payments will be disbursed against a certified list of enrolled eligible individuals, to be submitted to the Bank using the customized SOE attached to this letter (attachment 3), with the following exception:

During the first 8 months of the project (a grace period to allow for development and implementation of a new monitoring and information system), payments would be based on a
projection (vs. certified list) of eligible individuals. In the ninth month, MINSA will reconcile the projections against the certified enrollment of eligible individuals. If the projection exceeds the actual list, then a corresponding adjustment (i.e. reductions of funds) will be made to subsequent payments.

In addition, two types of external concurrent audits will apply specifically to Category 1. The first is a management and financial audit certifying that (i) the list of beneficiaries is composed of eligible individuals (from the target population); and (ii) funds are properly used all along the financial flow chain down to the regional health provider. The other is a technical audit, which is a continuous system of spot checks to ensure that (i) services were actually provided to the target populations; (ii) services for which the regional health providers claim payments were actually delivered with agreed quality standards; and (iii) health output targets were accomplished at the agreed-upon levels.

V. Other Important Information


If you have not already done so, the Bank recommends that you register as a user of the Client Connection website (https://clientconnection.worldbank.org). From this website you will be able to download Applications, monitor the near real-time status of the Loan, and retrieve related policy, financial, and procurement information. For more information about the website and registration arrangements, please contact the Bank by email at <clientconnection@worldbank.org>.

If you have any queries in relation to the above, please contact the World Bank Loan Department by sending an email to loa-lcr@worldbank.org and naming the project and loan number in the subject line.

Yours sincerely,

Patricia Hoyes
Sr. Finance Officer
World Bank Loan Department
Attachments
(same attachments as original DL signed September 30, 2008)

Cc with copies:
Lic. Dario Espinosa,
Director de Crédito Publico
Dirección de Crédito Público
Ministerio de Economía y Finanzas

Lic. Félix Adames,
Director de Programación e Inversiones
Director Nacional de Programación e Inversiones
Ministerio de Economía y Finanzas

Lic. Juan Alberto Batista
Director de la Unidad de Gestión Financiero-Administrativa
Ministerio de Salud

Dra. Reina Roa
Director Nacional de Provisión de Servicios de Salud
Ministerio de Salud