Loan Agreement

(Social Health Insurance Project)

between

REPUBLIC OF KAZAKHSTAN

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated November 1, 2016
LOAN AGREEMENT

Agreement dated November 1, 2016, between REPUBLIC OF KAZAKHSTAN ("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 eighty million Dollars (USD 80,000,000) as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 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. The Borrower shall pay the Front-end Fee not later than sixty days after the Effective Date.

2.04. The Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-
payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

2.06. The Payment Dates are April 15 and October 15 in each year.

2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

2.08. (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: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference 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 or the Reference Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objective of the Project. To this end, all in accordance with the provisions of Article V of the General Conditions, the Borrower shall carry out the Project through its Ministry of Health and Social Development (MoHSD), with the participation of the Social Health Insurance Fund (SHIF) under the authority and purview of MoHSD.

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 — REMEDIES OF THE BANK

4.01. The Additional Event of Suspension consists of the following:

Any legislation, decree or regulation related to the Borrower’s mandatory social health insurance system (including specifically the system’s functionality responsible for collecting deductibles and contributions and procuring health care provider services) has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely: (i) the carrying out of the Project; and/or (ii) the ability of the Borrower to perform any of its obligations under this Agreement.

ARTICLE V — EFFECTIVENESS; TERMINATION

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

(a) The Borrower has formally, through an order of the MoHSD, established the Project Management Unit (PMU), referred to in Section I.A.2 of Schedule 2 to this Agreement.

(b) The Borrower, through the MoHSD, has adopted, to the satisfaction of the Bank, the POM, which shall include the community monitoring instrument and the grievance redress mechanism referred to in Part 3.C of the Project, and the financial management procedures for the Project.

5.02. The Effectiveness Deadline is the date one hundred and eighty (180) days after the date of this Agreement.
ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower’s Representative is its Minister of Finance.

6.02. The Borrower’s Address is:

Ministry of Finance
11 Pobedy Avenue
Astana 010000
Republic of Kazakhstan

Telex: Facsimile:
265126 (FILIN) (7) (7172) 717785

6.03. The Bank’s Address is:

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

Telex: Facsimile:
248423(MCI) or 1-202-477-6391
64145(MCI)
AGREED at Astana, Kazakhstan, as of the day and year first above written.

REPUBLIC OF KAZAKHSTAN

By

Authorized Representative

Name: Bakhyt Sultanov
Title: Minister of Finance

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: Francis Ato Brown
Title: Country Manager
SCHEDULE 1

Project Description

The objective of the Project is to improve accessibility, quality and efficiency of health service delivery, and reduce financial risks to the population that are caused by serious health problems.

The Project consists of the following parts:

Part 1. Provide support for the implementation of the Borrower’s Social Health Insurance (SHI) system

A. Establish and strengthen the organizational and institutional structure of the SHI system through the provision of advisory services and capacity building in support of the following activities:

   (i) forecasting SHI revenues and improving the mechanisms for SHI revenue collection;

   (ii) planning the budget for the SHI system, based on the needs of the population;

   (iii) providing institutional support for the operation of the SHIF;

   (iv) improving health care benefits packages; and

   (v) improving the SHI information technology system for integration with the Borrower’s existing e-Health system.

B. Strengthen the purchasing and payment arrangements under SHI, through the provision of advisory services and capacity building, to support the design and piloting of the following reform activities:

   (i) improving the purchasing arrangements and provider payment methods for health services;

   (ii) strengthening the purchasing arrangements for pharmaceuticals and health technologies; and

   (iii) improving the financial control mechanisms and technical audits used within the SHI system.
Part 2. Strengthen the delivery of health services to support the implementation of the Borrower's SHI system

A. Develop a health facility network, involving the:

(i) establishment of a public health service to increase the promotion of a healthy lifestyle, reduce risk factors for non-communicable diseases, strengthen the epidemiological surveillance system for outbreaks, and build capacity in public health policy planning and health services delivery;

(ii) provision of assistance to improve primary and secondary prevention and to strengthen primary health care services, with a focus on managing non-communicable diseases and performance-based services;

(iii) provision of support to implement prospective plans for developing a health facility network; and

(iv) strengthening of the Borrower's emergency medical services.

B. Manage the quality of health care services, involving the:

(i) improvement of clinical practice by developing a system for implementing, and monitoring the introduction of, clinical protocols;

(ii) further development of health technology assessments;

(iii) expansion of disease management programs; and

(iv) improvement of quality management mechanisms in health facilities and development of a health facility accreditation program.

C. Strengthen human resources for health care through strategic partnerships, involving the:

(i) improvement of the principles for managing and financing medical science education;

(ii) improvement of the education process in line with international standards to advance the quality of medical science education for health workers;

(iii) improvement of the system for independently assessing the knowledge and skills of graduates of higher medical science education institutions and health workers; and
(iv) provision of support for the improvement of human resources management in health facilities.

Part 3. Project Management, Monitoring and Evaluation, and Communications Strategy

A. Provision of support for Project management through:

(i) provision of advisory services, communications services, goods (equipment for the Project Management Unit (PMU)), non-consulting services and training;

(ii) carrying out of surveys for Project monitoring and evaluation; and

(iii) financing of Operating Costs of the PMU.

B. Provision of support for information, education and communication activities concerning health service delivery structural reforms that are supported by the Project.

C. Provision of support for the carrying out of citizen engagement activities, including:

(i) annual multi-stakeholder forums held to present and receive feedback on the progress of Project-related reforms;

(ii) implementation of a community monitoring instrument to track patient perception of the improvements in the provision of health services; and

(iii) implementation of a proactive grievance redress mechanism for addressing suggestions and complaints from beneficiaries and various stakeholders.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Without limitation to the provisions of Article V of the General Conditions, and except as the Bank shall otherwise agree, the Borrower, through MoHSD, shall:

   (a) be responsible for the overall implementation and oversight of the Project, including providing sectoral policy oversight, stewardship and working level coordination with concerned governmental agencies and regional authorities;

   (b) ensure that the requirements, criteria, policies, procedures and organizational arrangements set forth in the POM are applied in connection with the carrying out of the Project; and

   (c) not assign, amend, abrogate or waive, or permit to be assigned, amended, abrogated or waived, the POM, or any provision thereof, without the prior consent of the Bank, or in a manner which, in the opinion of the Bank, may materially and adversely affect the implementation of the Project.

2. (a) The Borrower, through MoHSD, shall operate and maintain the PMU, throughout Project implementation, under terms of reference and with functions, all acceptable to the Bank, including, inter alia, responsibility for: (i) coordinating the overall Project implementation; (ii) ensuring that the requirements, criteria, policies, procedures and organizational arrangements set forth in the POM are applied during Project implementation; (iii) carrying out the procurement process, financial management and preparation of withdrawal applications under the Project; and (iv) monitoring and evaluating the progress of Project implementation in accordance with indicators agreed upon with the Bank.

   (b) The Borrower shall, under the purview of the MoHSD, ensure that the PMU is, throughout Project implementation, adequately staffed by personnel with qualifications, and under terms of reference, all satisfactory to the Bank.

3. Not later than thirty (30) days after the Effective Date, the Borrower shall, through an order of the MoHSD, establish, and thereafter maintain throughout Project implementation, the Core Coordination Team for this Project, with a composition (including staff of MoHSD, SHIF and PMU, and, as needed, representatives of
other institutions and government agencies), resources, and terms of reference, all satisfactory to the Bank, to be responsible for providing sectoral policy oversight over, and stewardship of, the Project, in addition to working-level coordination with concerned governmental agencies and regional authorities.

4. The Borrower, through MoHSD, shall maintain throughout Project implementation, the Joint Commission on Quality of Health Services (JCQHS) for this Project, with a composition, resources and terms of reference, all satisfactory to the Bank, necessary for, *inter alia*, developing recommendations for the improvement of medical education standards, clinical protocols, drug provision, and standards for control over quality and accessibility of health services.

5. The Borrower shall: (a) maintain, throughout Project implementation, the National Health Care Coordination Council with resources and terms of reference, all satisfactory to the Bank, necessary for carrying out the inter-sectoral policy coordination responsibilities under the Project; and (b) ensure that the said council comprises the representatives of all concerned Borrower agencies and regional authorities.

6. The Borrower shall establish, and thereafter operate and maintain throughout Project implementation, SHIF with a composition, resources and terms of reference, all satisfactory to the Bank, to carry out the Project.

7. In the event that the Borrower is no longer the sole shareholder of SHIF:

   (a) the Borrower, represented by MoHSD, shall enter into a subsidiary agreement with SHIF, under terms and conditions approved by the Bank, which include: (i) SHIF’s undertakings to participate with MoHSD in carrying out the Project in accordance with the relevant provisions set forth in this Agreement and the Anti-Corruption Guidelines, and (ii) the terms and conditions for SHIF benefiting from the activities carried out under the Project; and

   (b) the Borrower, represented by MoHSD, shall exercise its rights and carry out its obligations under the said subsidiary agreement in such manner as to protect the interests of the Borrower, as represented by MoHSD, and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate waive, terminate or fail to enforce the subsidiary agreement or any of its provisions.

8. Not later than forty-five (45) days after the Effective Date, the Borrower, through the MoHSD, shall develop and launch, within its existing automated accounting software, a module to generate interim unaudited financial reports and to capture the Project’s accounts, all to the satisfaction of the Bank.
B. **Anti-Corruption**

The Borrower 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 Borrower, through MoHSD, 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 indicators acceptable to the Bank. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Bank not later than forty-five (45) days after the end of the period covered by each such report.

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

1. The Borrower, through MoHSD, 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 MoHSD, prepare and furnish to the Bank as part of each Project Report, interim unaudited financial reports for the Project covering the relevant calendar quarter, 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 of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

**Section III. Procurement**

A. **General**

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

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

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

**B. Particular Methods of Procurement of Goods and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the additional provisions set forth in the Attachment to this Schedule 2; (b) Shopping; and (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 methods, other than Quality and Cost-based Selection, may be used for procurement of consultants’ services for those contracts which are specified in the Procurement Plan: (a) Selection under a Fixed Budget; (b) Least Cost Selection; (c) Selection based on Consultants’ Qualifications; (d) Single-source Selection of consulting firms in compliance with paragraph 3.8 of the Consultant Guidelines; and (e) Single-source procedures for the Selection of Individual Consultants.

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

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed exclusive of Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Non-consulting services, consultants’ services, and Training for Part 1 of the Project</td>
<td>14,678,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, non-consulting services, consultants’ services, and Training for Parts 2 and 3 of the Project, and Operating Costs for Part 3 of the Project</td>
<td>65,322,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>80,000,000</td>
<td></td>
</tr>
</tbody>
</table>

B. **Withdrawal Conditions; Withdrawal Period**

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

   (a) from the Loan Account until the Bank has received payment in full of the Front-end Fee;

   (b) for payments made prior to the date of this Agreement; or
(c) for payments under Category (1) for Part 1 of the Project, unless and until the Borrower has furnished evidence satisfactory to the Bank that the Borrower has formally established SHIF as provided in Section I.A.6 of Schedule 2 to this Agreement.

2. The Closing Date is June 30, 2021.
Attachment

to

SCHEDULE 2

The procurement procedures to be followed for National Competitive Bidding shall be the tender procedure set forth in the Law of the Republic of Kazakhstan on Public Procurement No. 434-V, dated December 4, 2015; provided, however, that such procedures shall be subject to the provisions of Section I and Paragraphs 3.3 and 3.4 of the Procurement Guidelines and the following additional provisions:

(a) Eligibility: The eligibility of bidders to participate in a procurement process and to be awarded a Bank-financed contract shall be as defined under Section I of the Procurement Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the Bank for reasons other than those provided in Section I of the Procurement Guidelines. Foreign bidders shall be allowed to participate in National Competitive Bidding procedures, and shall not be obligated to partner with local bidders in order to participate in a procurement process.

(b) Registration: Bidding shall not be restricted to pre-registered firms, and foreign bidders shall not be required to be registered with local authorities as a prerequisite for submitting bids.

(c) Preferences: No preference of any kind shall be applied in bid evaluation on the basis of bidder nationality; origin of goods, services or labor; local content; citizen degree of ownership; and/or any other preferential programs.

(d) Bidding Documents: Procuring entities shall use the appropriate standard bidding documents, including contractual provisions, satisfactory to the Bank.

(e) Cost Estimates: Cost estimates shall be confidential and shall not be disclosed to prospective bidders.

(f) Bid Validity: An extension of bid validity, if justified by exceptional circumstances, may be requested in writing from all bidders before the expiration date and for a minimum period required to complete the evaluation or award a contract, provided that such extension shall cover only the minimum period required to complete the evaluation and/or award a contract, but not to exceed four (4) weeks. No further extensions shall be requested without the prior written concurrence of the Bank.

(g) Bid Submission and Bid Opening: Prospective bidders shall be given at least thirty (30) days from the date of publication of the invitation to bid or the date of availability of the bidding documents, whichever is later, to prepare and submit bids. Bids shall be opened in public immediately after the deadline for their
A copy of the bid opening minutes shall be promptly provided to all bidders who submitted bids, and to the Bank with respect to contracts subject to the Bank’s prior review.

(h) Qualification: Qualification criteria shall be clearly specified in the bidding documents. All criteria so specified, and only such specified criteria, shall be used to determine whether a bidder is qualified. Qualification shall be assessed on a “pass or fail” basis, and merit points shall not be used. Such assessment shall be based entirely upon the bidder’s or prospective bidder’s capability and resources to effectively perform the contract, taking into account objective and measurable factors, including: (i) relevant general and specific experience, and satisfactory past performance and successful completion of similar contracts over a given period; (ii) financial position; and where relevant (iii) capability of construction and/or manufacturing facilities.

(i) Bid Evaluation: Evaluation criteria shall be clearly specified in the bidding documents. Evaluation of bids shall be made in strict adherence to the quantifiable criteria declared in the bidding documents. Evaluation criteria other than price shall be quantified in monetary terms. Merit points and bracketing shall not be used, and no minimum point or percentage value shall be assigned to the significance of price, in bid evaluation. Bidders shall not be eliminated on the basis of minor, nonmaterial deviations. The procuring entity shall ask bidders for clarifications needed to evaluate their bids, but shall not ask or permit bidders to change the substance or price of their bids after the bid opening.

(j) Contracts shall be awarded to the qualified bidder whose bid has been determined: (i) to be substantially responsive to the bidding documents; and (ii) to offer the lowest-evaluated cost. No negotiation as to the price or substance of the bid shall take place.

(k) Rejection of Bids and Re-Bidding: No bids shall be rejected solely because they fall below or exceed the estimated cost or outside of a range or “bracket” of bid values. All bids (including in the case when less than two bids are received) shall not be rejected, the procurement process shall not be cancelled, and new bids shall not be solicited without the Bank’s prior written concurrence.

(l) Guarantees: Bid and contract guarantees shall be in the format and have the required period of validity specified in the bidding documents referred to in paragraph (d) above. If required, bid security shall be expressed as a fixed amount and shall not exceed two percent (2%) of the estimated cost of the contract. No advance payments shall be made to contractors without a suitable advance payment guarantee.

(m) Confidentiality: The process of bid evaluation shall be confidential until the publication of contract award.
(n) Electronic Procurement Systems: Electronic procurement systems may be used, provided that the Bank is satisfied with the adequacy of the systems, including inter alia, that the system is secure, maintains the integrity, confidentiality, and authenticity of bids submitted.

(o) Fraud and Corruption: In accordance with the Procurement Guidelines, each bidding document and contract shall include provisions stating the Bank’s policy to sanction firms or individuals, found to have engaged in fraudulent, corrupt, collusive, or obstructive practices as defined in the Procurement Guidelines.

(p) Inspection and Audit Rights: In accordance with the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Loan shall provide that bidders, suppliers, contractors and their subcontractors, agents, personnel, consultants, service providers, or suppliers shall permit the Bank to inspect all accounts, records and other documents relating to the bid submission and performance of the contract and to have said accounts and records audited by auditors appointed by the Bank. Acts intended to materially impede the exercise of the Bank’s inspection and audit rights provided for in the Procurement Guidelines constitute an obstructive practice as defined in the Procurement Guidelines.

(q) Publication of the Award of Contract: The procuring entity shall publish the following information on contract award in a free and open access website or on another means of publication acceptable to the Bank: (i) name of each bidder who submitted a bid; (ii) bid prices as read out at bid opening; (iii) name and evaluated price of each bid that was evaluated; (iv) name of bidders whose bids were rejected and the reasons for their rejection; and (v) name of the winning bidder, price it offered as well as the duration and summary scope of the contract awarded.
SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share"). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each April 15 and October 15</td>
<td></td>
</tr>
<tr>
<td>Beginning October 15, 2021 through April 15, 2031</td>
<td>5%</td>
</tr>
</tbody>
</table>

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

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

(b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as
withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.
APPENDIX

Section I. Definitions


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


4. “Core Coordination Team” means the core coordination team for the Project, referred to in Section I.A.3 of Schedule 2 to this Agreement, or any successor or successors thereto, acceptable to the Bank.


7. “Joint Commission on Quality of Health Services” or “JCQHS” means the Joint Commission on Quality of Health Services, established pursuant to the MoHSD Order No. 926, titled, “On establishment of the Joint Commission on Quality of Health Services”, dated November 30, 2015, and referred to in Section I.A.4 of Schedule 2 to this Agreement, or any successor or successors thereto, acceptable to the Bank.

8. “Mandatory Social Health Insurance Law” or “MSHI Law” means the Borrower’s Law No. 405-V 3PK, dated November 16, 2015, and titled “On Mandatory Social Health Insurance”, which sets forth the Borrower’s system of mandatory social health insurance.

9. “Ministry of Finance” means the Ministry of Finance of the Borrower or any successor or successors thereto.

10. “Ministry of Health and Social Development” or “MoHSD” means the Ministry of Health and Social Development of the Borrower or any successor or successors thereto.
11. “National Health Care Coordination Council” means the government-level policy council, referred to in Section I.A.5 of Schedule 2 to this Agreement, or any successor or successors thereto, acceptable to the Bank.

12. “Operating Costs” means the operating costs directly incurred by the MoHSD in carrying out Project implementation, management and monitoring, including the following, all based on periodic budgets acceptable to the Bank: (a) PMU staffing costs (which shall not be considered as advisory services under Part 3.A (i) of the Project); (b) training, conferences, study tours and seminars for PMU staff; (c) dissemination of Project related information; (d) office rent and utilities; (e) office equipment insurance, maintenance and repair; (f) vehicle maintenance and repair; (g) travel; (h) security; (i) communication; (j) bank charges; and (k) other miscellaneous costs directly associated with the Project.


14. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated March 24, 2016, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

15. “Project Management Unit” or “PMU” means the Project management unit, referred to in Section I.A.2 (a) of Schedule 2 to this Agreement, or any successor or successors thereto, acceptable to the Bank.

16. “Project Operational Manual” or “POM” means the operational manual for the Project acceptable to the Bank, outlining, inter alia, the institutional, reporting and oversight, disbursement, procurement, and environmental and social management arrangements for the implementation of the Project, including the community monitoring instrument and the grievance redress mechanism referred to in Part 3.C (ii) and (iii) of the Project, and the financial management procedures for the Project, as the same may be amended from time to time with approval of the Bank, and such term includes any schedules to the POM.

17. “Social Health Insurance” or “SHI” means the Borrower’s mandatory social health insurance created pursuant to the MSHI Law.

18. “Social Health Insurance Fund” or “SHIF” means the nonprofit, joint-stock company referred to in the MSHI Law and Section I.A.6 of Schedule 2 to this Agreement, or any successor or successors thereto, acceptable to the Bank.

19. “Training” means expenditures (other than those for consultants’ services) incurred for Project-related study tours, training courses, seminars, workshops and
other training activities, not included under goods or service providers’ contracts, including costs of (a) training materials, (b) training related space and equipment rental, (c) travel, accommodation and per diem costs of trainees and trainers, (d) trainers’ fees, and (e) other training related miscellaneous costs, all based on an annual budget agreed with the Bank.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. In the Table of Contents, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.

2. Section 3.01. (Front-end Fee) is modified to read as follows:

   “Section 3.01. Front-end Fee; Commitment Charge

   (a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the “Front-end Fee”).

   (b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the “Commitment Charge”). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date.”

3. In the Appendix, Definitions, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modification set forth in paragraph 2 above.

4. The Appendix is modified by inserting a new paragraph 19 with the following definition of “Commitment Charge”, and renumbering the subsequent paragraphs accordingly:

   “19. “Commitment Charge” means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b).”

5. In the renumbered paragraph 49 (originally paragraph 48) of the Appendix, the definition of “Front-end Fee” is modified by replacing the reference to Section 3.01 with Section 3.01 (a).

6. In the renumbered paragraph 68 (originally paragraph 67) of the Appendix, the definition of the term “Loan Payment” is modified to read as follows:
“68. “Loan Payment” means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower.”

7. In the renumbered paragraph 73 (originally paragraph 72) of the Appendix, the definition of “Payment Date” is modified by deleting the word “is” and inserting the words “and Commitment Charge are” after the word “interest”.