



LOAN NUMBER 8593-CR

Loan Agreement

(Strengthening Universal Health Insurance in Costa Rica Program)

between

REPUBLIC OF COSTA RICA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated *April 21*, 2016

LOAN AGREEMENT

Agreement dated April 21, 2016, between the REPUBLIC OF COSTA RICA ("Borrower") and the 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.
- 1.03. This Agreement records the Bank's financing of a "Program for Results", which provides financing to the Borrower based on delivered results agreed by the two parties.

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 four hundred twenty million United States Dollars (\$420,000,000), 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 program described in Schedule 1 to this Agreement ("Program").
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement. All withdrawals from the Loan Account shall be deposited by the Bank into an account specified by the Borrower and acceptable to the Bank.
- 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 (60) 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 Fixed Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02(e) of the General Conditions.

- 2.06. The Payment Dates are February 15 and August 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 — PROGRAM

- 3.01. The Borrower declares its commitment to the objectives of the Program. To this end, the Borrower shall cause the Program to be carried out by the Program Implementing Entity in accordance with the provisions of Article V of the General Conditions and the Subsidiary Agreement.
- 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, through the Program Implementing Entity, that the Program 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, namely that the Program Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Bank, the ability of

the Program Implementing Entity to perform any of its obligations under the Subsidiary Agreement.

- 4.02. The Additional Event of Acceleration consists of the following, namely that any event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following, namely that the Subsidiary Agreement has been signed on behalf of the Borrower and the Program Implementing Entity.
- 5.02. The Additional Legal Matter consists of the following, namely that the Subsidiary Agreement has been duly authorized by the Borrower and the Program Implementing Entity and is legally binding upon the Borrower and the Program Implementing Entity in accordance with its terms.
- 5.03. The legal opinion to be provided by the Borrower, referred to in Section 9.02 of the General Conditions, shall be issued by the Borrower's Attorney General (*Procurador General de la República*).
- 5.04. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date one hundred eighty (180) days after the date of this Agreement, but in no case later than eighteen (18) months after the Bank's approval of the Loan, which expires on September 15, 2017.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower's Representative is its Ministry of Finance.

- 6.02. The Borrower's Address is:

Ministerio de Hacienda
Calle 1 y 3 Avenida 2
Diagonal al Teatro Nacional
San José, Costa Rica

Facsimile:
(506) 2255-4874

- 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
64145(MCI)

1-202-477-6391

AGREED at San José, Republic of Costa Rica, as of the day and year first above written.

REPUBLIC OF COSTA RICA

By

Authorized Representative

Name:

Helio Fallas X.

Title:

Finance Minister

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

By

Authorized Representative

Name:

Humberto López

Title:

Country Director
for Central America

Witnessed by:

Luis Guillermo Solís

President of the Republic of Costa Rica

SCHEDULE 1

Program Description

The objectives of the Program are to contribute to: (i) improving the timeliness and quality of health services; and (ii) enhancing the institutional efficiency of the CCSS.

The Program consists of activities to be implemented by the Program Implementing Entity, which approved a broad set of initiatives and actions to strengthen the health insurance — contained in the 2015-2018 Strategic Plan and the Strategic Agenda for Strengthening Health Insurance — a portion of which will be financially supported by the Loan and will allow for a gradual change in the Program Implementing Entity in order to achieve sustainable results in the short, medium and long term.

The Program focuses on three priority areas: (i) strengthening the health care model with special emphasis on increasing the impact of Primary Health Care (PHC), integration of integrated health care networks, and a more effective approach to prevention, early diagnosis, and control of chronic non-communicable diseases (NCDs); (ii) improving institutional management; and (iii) optimizing financial management.

The Program consists of the following activities to be implemented by the Program Implementing Entity:

Part I: Strengthening the Health Care Model

Boosting the scope and capacity of PHC facilities to prevent and control NCDs, and integrating health services across different levels using international best practices, allowing for comprehensive, timely treatment and ensuring continuity of care in the various levels of care of the health insurance system, through the following activities:

- (a) modernizing and strengthening the PHC network nationwide to improve the quality of services, increase coverage of the population, and ensuring that the network has greater capacity for prevention, early diagnosis, and control of non-communicable diseases (NCDs) and other conditions that are relevant to the local, regional, and national epidemiological profile; and
- (b) strengthening the integration of PHC services into the network of services at all levels of care, including: (i) expanding infrastructure and equipment at the first and second levels of care; (ii) improving human resources training to better attend to the needs of patients; (iii) upgrading equipment; (iv) updating clinical guidelines and pathways, with an emphasis on chronic conditions affecting a large part of the population; and (v) implementing new mechanisms for integrating PHC with second level services (hospitals) using international best practices.

Part II: Improving Institutional Management

Strengthening institutional capacity to better manage the Program Implementing Entity in general, and the health insurance in particular, including:

- (a) aligning central level management to reduce the complexity of administrative processes;
- (b) reducing management in silos through linking health care decisions with their impact on administrative and financial changes and nation-wide objectives; and
- (c) increasing the use and impact of household data collected by the PHC teams by digitalizing data and linking it to existing E-Health tools to generate big data pools for directors and managers to enable them to better allocate resources and monitor results.

Part III: Optimizing Financial Management

Improving the quality of financial data for the Program Implementing Entity's Senior Management and Board of Directors to enable them to closely monitor actuarial analysis and income/expenditure trends, including:

- (a) improving the institutional capacity in terms of financial and budgetary management;
- (b) adopting international best management practices to strengthen financial management; and
- (c) optimizing administrative, logistical and financial processes and procedures supported by a comprehensive computerized system that allows for consolidated, real-time financial information, including optimizing the units at the central level.

SCHEDULE 2

Program Execution

Section I. Implementation Arrangements

A. Program Fiduciary, Environmental and Social Systems

Without limitation on the provisions of Article V of the General Conditions, the Borrower shall cause the Program to be carried out by the Program Implementing Entity in accordance with financial management, procurement and environmental and social management systems acceptable to the Bank (“Program Fiduciary, Environmental and Social Systems”) which are designed to ensure that:

1. the Loan proceeds are used for their intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability; and
2. the actual and potential adverse environmental and social impacts of the Program are identified, avoided, minimized, or mitigated, as the case may be, all through an informed decision-making process.

B. Anti-Corruption

Without limitation on the provisions of Part A of this Section, the Borrower shall cause the Program to be carried out by the Program Implementing Entity in accordance with the provisions of the Anti-Corruption Guidelines.

C. Other Program Institutional and Implementation Arrangements

1. Program Institutions

Without limitation on the generality of Part A of this Section I, the Borrower shall cause the Program Implementing Entity to operate and maintain the Program, during Program implementation, with technical, environmental and social safeguards, fiduciary and other Program related responsibilities for implementing the Program, with powers, functions, capacity, staffing and resources satisfactory to the Bank to fulfill its functions under the Program.

2. Subsidiary Agreement

- (a) To facilitate the carrying out of the Program, the Borrower shall make the proceeds of the Loan available to the Program Implementing Entity under a subsidiary agreement between the Borrower and the Program Implementing Entity (“Subsidiary Agreement”), under terms and conditions approved by the Bank, which shall include, inter alia, the following:
 - (i) the Borrower’s obligation to make the Loan available under the Subsidiary Agreement as a non-reimbursable transfer and denominated in U.S. Dollars; and

- (ii) the Program Implementing Entity's obligation to comply with the pertinent obligations set forth in this Agreement, as applicable, to said Program Implementing Entity.
 - (b) The Borrower shall exercise its rights and carry out its obligations under the Subsidiary Agreement in such manner as to protect the interests of the Borrower 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, terminate, waive or fail to enforce the Subsidiary Agreement or any of its provisions.
3. Additional Program Implementation Arrangements

Without limitation on the generality of Part A of this Section I, the Borrower shall cause the Program Implementing Entity to carry out the Program in a manner satisfactory to the Bank, and shall ensure that the Program is not amended, revised, waived, voided, suspended, terminated or abrogated, without the prior written consent of the Bank.

4. Independent Assessment or Audit

The Bank may, at its discretion and if it deems necessary, from time to time, request assessments or audits by independent agencies acceptable to the Bank to verify the data supporting the achievement of one or more DLIs.

Section II. Excluded Activities

The Borrower shall cause the Program Implementing Entity to ensure that the Program excludes any activities which:

- A. in the opinion of the Bank, are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or
- B. involve the procurement of: (1) works, estimated to cost one hundred fifteen million Dollars (\$115,000,000) equivalent or more per contract; (2) goods, estimated to cost seventy-five million Dollars (\$75,000,000) equivalent or more per contract; (3) non-consulting services, estimated to cost sixty million Dollars (\$60,000,000) equivalent or more per contract; or (4) consultants' services, estimated to cost thirty million Dollars (\$30,000,000) equivalent or more per contract.

Section III. Program Monitoring, Reporting and Evaluation; Audits

A. Program Reports

The Borrower shall cause the Program Implementing Entity to monitor and evaluate the progress of the Program and prepare Program Reports in accordance with the provisions of Section 5.08 of the General Conditions. Each Program Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than one month after the end of the period covered by such report.

B. Program Financial Audits

Without limitation on the generality of Section I.A of this Schedule 2 and Section 5.09 of the General Conditions, the Borrower shall cause the Program Implementing Entity to have the Financial Statements of the Program 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 Program Implementing Entity, or any other period to be agreed with the Bank. 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 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 may specify from time to time by notice to the Borrower to finance the Program Expenditures, on the basis of the results ("Disbursement Linked Results" or "DLRs") achieved by the Program Implementing Entity, as measured against specific indicators ("Disbursement Linked Indicators" or "DLIs"); all as set forth in the table in paragraph 2 of this Part A.
2. The following table specifies each category of withdrawal of the proceeds of the Loan (including the Disbursement Linked Indicators as applicable) ("Category"), the Disbursement Linked Results for each Category (as applicable), and the allocation of the amounts of the Loan to each Category:

Category (including Disbursement Linked Indicator as applicable)	Disbursement Linked Result Baseline (as applicable)	Disbursement Linked Result (as applicable)	Amount of the Loan Allocated (expressed in USD)
(1) DLI #1: Percentage of major surgeries from Priority List conducted in outpatient settings according to CCSS Institutional Guidelines	18%	DLI#1.1: 20% DLI#1.2: 40%	\$30,000,000 \$30,000,000 \$150,000 for every 0.1% above 20% (maximum \$30,000,000)
(2) DLI #2: Cumulative percentage of Target Population personally invited to undergo colon cancer screening in the five Priority Counties	0%	DLI#2.1: 10% DLI#2.2: 40%	\$30,000,000 \$30,000,000 \$100,000 for every 0.1% above 10% (maximum \$30,000,000)
(3) DLI#3: Percentage of individuals diagnosed with Diabetes Type II under Optimal Clinical Control	39%	DLI#3.1: 41% DLI#3.2: 43%	\$30,000,000 \$30,000,000 \$150,000 for every .01% above 41% (maximum \$30,000,000)
(4) DLI#4: Pilot project on integrated health networks approved by the CCSS Board and implemented for a Selected Population and Territory and evaluated with results publicly disseminated		DLI#4.1: Pilot project approved DLI#4.2: Evaluation of pilot publicly disseminated	\$30,000,000 \$30,000,000
(5) DLI#5 Percentage of total number of primary health care units with the Unique Digital Health Record e-health package	50%	DLI5.1: 60% DLI5.1: 80%	\$30,000,000 \$30,000,000 \$150,000 for every 0.1% over 60% (maximum \$30,000,000)

<p>(6) DLI#6 Redesign, implementation and use of data collected by the new annual survey to measure impact of new interventions to improve patient satisfaction</p>		<p>DLI#6.1: CCSS Board approval of redesign of patient satisfaction survey DLI#6.2: Report on impact of interventions to improve patient satisfaction approved by CCSS Board</p>	<p>\$30,000,000 \$30,000,000</p>
<p>(7) DLI#7 Development and execution of a comprehensive medium and long-term plan to ensure the financial sustainability of the CCSS</p>		<p>DLI#7.1: Ten-year investment plan approved by CCSS Board DLI#7.2: Actuarial valuation of health insurance study approved by CCSS Board and publicly disseminated DLI#7.3: Annual budget of CCSS approved by CCSS Board and CGR using Prospective Budgeting Tools</p>	<p>\$20,000,000 \$20,000,000 \$20,000,000</p>
<p>TOTAL AMOUNT</p>			<p>\$420,000,000</p>

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 purposes of Section 2.05 of the General Conditions, for payments for Program Expenditures made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$105,000,000 may be made for such payments made prior to this date but on or after twelve (12) months prior to the date of this Agreement; and
 - (c) for any DLR under Categories (1) through (7), until and unless the Borrower has caused the Program Implementing Entity to furnish evidence satisfactory to the

Bank that said DLR has been achieved, in accordance with the DLI Achievement and Verification Protocol set forth in Schedule 4 of this Agreement.

2. Notwithstanding the provisions of Part B.1(c) of this Section:
 - (a) the Borrower may withdraw an amount not to exceed \$105,000,000 as an advance;
 - (b) any further withdrawals requested as an advance shall be permitted only on such terms and conditions as the Bank shall specify by notice to the Borrower;
 - (c) if any amount of the advance remains outstanding by the Closing Date, and any verified evidence required to be provided by the Borrower, through the Program Implementing Entity, to the Bank under Part B.1(c) of this Section in relation to said amount has not been furnished to the Bank by the Closing Date, the Borrower shall refund such advance (or portion of such advance as determined by the Bank in accordance with the provisions of paragraph 2(d) of this Part B) to the Bank promptly upon notice thereof by the Bank. Except as otherwise agreed with the Borrower, the Bank shall cancel the amount so refunded; and
 - (d) if the Bank is not satisfied that any of the DLRs under Categories (1) through (7) has been achieved, the Bank may, at any time, by notice to the Borrower, decide, in its sole discretion, to:
 - (i) authorize the withdrawal of such lesser amount of the unwithdrawn proceeds of the Program Financing then allocated to said Category for the Program which, in the opinion of the Bank, corresponds to the extent of achievement of said DLR, said lesser amount to be calculated in accordance with the established formula for each DLR under Categories (1), (2), (3), and (5);
 - (ii) reallocate all or a portion of the proceeds of the Loan then allocated to said DLR to any other DLR; and/or
 - (iii) cancel all or a portion of the proceeds of the Loan then allocated to said DLR.
3. The Closing Date is April 30, 2022.
4. Notwithstanding the foregoing provisions of this Section IV, if at any time after the Closing Date the Borrower has failed to provide evidence satisfactory to the Bank that the Withdrawn Loan Balance does not exceed the total amount of Program Expenditures paid by the Borrower, through the Program Implementing Entity, exclusive of any such expenditures financed by any other financier or by the Bank or the Association under any other loan, credit or grant, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such excess amount of the Withdrawn Loan Balance. The Bank shall cancel the refunded amount of the Withdrawn Loan Balance.

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.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each February 15 and August 15 Beginning August 15, 2022 through February 15, 2049	1.82%
On August 15, 2049	1.72%

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.

Schedule 4

DLI Achievement and Verification Protocol

	DLI	Scalable Disbursement (Yes/No)	DLI Evaluation, Achievement and Verification Protocol		
			Data Source/Agency	Verification	Procedure
1	Percentage of major surgeries from priority list conducted in outpatient settings according to institutional guidelines.	Yes	Department of Projected Health Services Administrative Data Health Care Management	Independent Verification Entity - IVE (to be contracted before first disbursement)	Information collected from each facility and aggregated through customized databases. Data subject to validation by the Health Care Management Department.
2	Cumulative percentage of target population personally invited to undergo colon cancer screening in the five priority counties.	Yes	Primary Health Care (PHC) Facility Records Data. Health Statistics Department	IVE	<ul style="list-style-type: none"> • Determination of total target population. • Determination of eligible population. • Participating individuals are those out of eligible population that were prescribed a cancer screening test according to the program schedule. • A participating individual can only be counted one time for being prescribed a cancer screening. • If people participating in the Program for the first time have the cancer-screening test done, they will be included as first round participants. • Indicator refers to the percentage of eligible population in the entire area covered by the selected <i>Áreas de Salud</i> that have been personally invited to undergo a cancer screening.

Schedule 4

DLI Achievement and Verification Protocol

	DLI	Scalable Disbursement (Yes/No)	DLI Evaluation, Achievement and Verification Protocol		
			Data Source/Agency	Verification	Procedure
3	Percentage of individuals diagnosed with Diabetes Type II that are under Optimal Clinical Control.	Yes	"Performance Evaluation in Delivering Institutional Healthcare Services" conducted by the Health Services Procurement Department under the Medical Management with Administrative Data/Health Services Procurement Department, Medical Management, CCSS	IVE	Revision of clinical records of patients diagnosed with diabetes Type II and comparison with national clinical guidelines.
4	Pilot project on integrated health networks implemented for a Selected Population and Territory and evaluated with the results publicly disseminated.	No	Pilot Project CCSS Task Force Report/ Institutional Planning Department, CCSS	IVE	Design of pilot project will include the evaluation methodology and the final report will follow the original design with any adjustments that may have been necessary as pilot enters in the implementation stage.
5	Percentage of total number of primary health care units (<i>Áreas de Salud</i>) with the Unique Digital Health Record e-health package (EDUS).	Yes	Implementation Reports Institutional Planning Department, CCSS	IVE	Project Management will identify progress towards increased EDUS coverage.

Schedule 4

DLI Achievement and Verification Protocol

	<i>DLI</i>	<i>Scalable Disbursement (Yes/No)</i>	<i>DLI Evaluation, Achievement and Verification Protocol</i>		
			<i>Data Source/Agency</i>	<i>Verification</i>	<i>Procedure</i>
6	<p>Redesign, implementation and use of a new annual survey to measure impact of new interventions to improve patient satisfaction.</p> <p><i>Board approval of survey redesign.</i></p> <p><i>Report on impact of interventions to improve patient satisfaction completed and approved.</i></p>	<p>No</p> <p>No</p>	<p>Board of Directors approval Institutional Planning Department, CCSS</p> <p>Report furnished by the Institutional Planning Department, CCSS</p>	<p>IVE</p> <p>IVE</p>	<p>The Board of Directors has approved the redesign of the survey and its implementation.</p> <p>The report on the impact of the patient satisfaction interventions is completed and approved by the CCSS' Board of Directors.</p>

Schedule 4

DLI Achievement and Verification Protocol

	<i>DLI</i>	<i>Scalable Disbursement (Yes/No)</i>	<i>DLI Evaluation, Achievement and Verification Protocol</i>		
			<i>Data Source/Agency</i>	<i>Verification</i>	<i>Procedure</i>
7	Development and execution of a comprehensive medium- and long-term plan to ensure the financial sustainability of the CCSS.				
	<i>Ten-year investment master plan approved.</i>	No	Financial Management Department, CCSS Institutional Planning Department, CCSS	IVE	Annual Budget Reporting
	<i>Actuarial Valuation of Health Insurance.</i>	No	Financial Management Department, CCSS Institutional Planning Department, CCSS	IVE	Board of Directors Approval
	<i>One annual budget executed using as inputs risk adjusted capitations and DRGs as inputs.</i>	No	Budget Department Institutional Planning Department, CCSS	IVE	Annual Budget Reporting

APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means the Bank’s “Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing,” dated February 1, 2012, and revised July 10, 2015.
2. “Category” means a category set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.
3. “CCSS” means the Program Implementing Entity, as defined below.
4. “CCSS Board” means the Board of Directors of the Program Implementing Entity, or any legal successor thereto.
5. “CCSS Institutional Guidelines” means internal clinical guidelines of CCSS for health care services providers, based on guidance provided by its Health Care Management Department and on national and international evidence.
6. “CGR” means the Borrower’s Office of the Comptroller General (*Contraloría General de la República*), or any legal successor thereto.
7. “Disbursement Linked Indicator” or “DLI” means in respect of a given Category, the indicator related to said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.
8. “Disbursement Linked Result” or “DLR” means in respect of a given Category, the result under said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement, on the basis of the achievement of which, the amount of the Loan allocated to said result may be withdrawn in accordance with the provisions of said Section IV.
9. “Diagnosis-Related Groups” or “DRGs” means a statistical system of classifying any inpatient stay into groups for the purposes of payment.
10. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated March 12, 2012, with the modifications set forth in Section II of this Appendix.
11. “HPV” means human papillomavirus.
12. “NCDs” means non-communicable diseases.
13. “Optimal Clinical Control” means for individuals diagnosed with Diabetes Type II an HBAc1 test score below or equal to seven (7) percent in the last year.
14. “Priority Counties” means the counties within the Borrower’s territory identified by the Health Statistics Department of CCSS as having the highest incidence rate of colon cancer.

15. "Priority List" means the priority list of major surgeries and consists of varicectomies, hernias, salpingectomies, bone biopsies, osteo-synthetic devices removal, and laparoscopic cholecystectomies, which is based on the Borrower's Department of Projected Health Service Network data updated as of May 12, 2015.
16. "Program Fiduciary and Environmental and Social Systems" means the Borrower's and the Program Implementing Entity's systems for the Program referred to in Section I., Part A of Schedule 2 to this Agreement.
17. "Program Implementing Entity" means the Costa Rican Social Security Administration, an entity vested with legal personality, or any legal successor thereto.
18. "Program Implementing Entity's Legislation" means the "Constitutive Act of the Costa Rican Social Security Fund", Law No. 17, dated October 22, 1943.
19. "Prospective Budgeting Tools" means risk adjusted capitations for integrated networks of first and second level of care and DRGs as inputs for third level hospitals, using as input the estimated risk-adjusted capitation by sex, age and morbidity for integrated first and second level networks.
20. "Selected Population and Territory" means a territorial area comprising first and second level of care, based on demographic, socioeconomic and epidemiological parameters, as defined by the CCSS Board and approved by the Bank.
21. "Selected Procedures" means hip and knee replacements in all third level hospitals.
22. "Subsidiary Agreement" means the agreement referred to in Section I.C.2(a) of Schedule 2 to this Agreement pursuant to which the Borrower shall make the proceeds of the Loan available to the Program Implementing Entity.
23. "Target Population" means adults of ages 50 to 75-years-old in the Borrower's top five priority counties.
24. "Unique Digital Health Record" means software that is a comprehensive electronic and digital platform developed by CCSS for primary health care centers and other outpatient facilities to collect and pool in a digital format big data sets using clinical and health risk data from individuals and households for in-patient facilities at the primary health care level.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Wherever used throughout the General Conditions, the term "the Project" is modified to read "the Program", the term "the Project Agreement" is modified to read "the Program Agreement", the term "Project Implementing Entity" is modified to read "the Program Implementing Entity", the term "Project Report" is modified to read "Program Report"; and the term "Eligible Expenditures" is modified to read "Program Expenditures".

2. In the **Table of Contents**, the references to Sections, Section names and Section numbers are modified to reflect the amendments set forth below.
3. Section 2.02, *Special Commitment by the Bank*, is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.
4. In Section 2.02 (originally numbered as Section 2.03), the heading “*Applications for Withdrawal or for Special Commitment*” is replaced with “*Applications for Withdrawal*”, and the phrase “or to request the Bank to enter into a Special Commitment” is deleted.
5. The section originally numbered as Section 2.04, *Designated Accounts* is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.
6. Paragraph (a) of Section 2.03 (originally numbered as Section 2.05), *Eligible Expenditures* (renamed “Program Expenditures” in accordance with paragraph 1 of this Section II), is modified to read: “(a) the payment is for the financing of the reasonable cost of expenditures required for the Program and to be financed out of the proceeds of the Loan in accordance with the provisions of the Legal Agreements;”.
7. The last sentence of Section 2.04 (originally numbered as Section 2.06), *Financing Taxes*, is modified to read: “To that end, if the Bank at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the Bank may, by notice to the Borrower, exclude such amount or such Tax from the Program Expenditures to be financed out of the proceeds of the Loan, as required to ensure consistency with such policy of the Bank.”
8. Section 2.06 (originally numbered as Section 2.08), *Reallocation*, is modified to read:

“Notwithstanding any allocation of an amount of the Loan to a withdrawal category under the Loan Agreement, the Bank may, by notice to the Borrower, reallocate any other amount of the Loan to such category if the Bank reasonably determines at any time that such reallocation is appropriate for the purposes of the Program.
9. 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 (60) 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.”

10. Section 7.01, *Cancellation by the Borrower*, is modified to read: "The Borrower may, by notice to the Bank, cancel any amount of the Unwithdrawn Loan Balance."
11. Paragraph (d) of Section 7.03, *Cancellation by the Bank*, entitled "*Misprocurement*", is deleted, and subsequent paragraphs are relettered accordingly.
12. Section 7.04, *Amounts Subject to Special Commitment not Affected by Cancellation or Suspension by the Bank*, is deleted in its entirety, and subsequent Sections in Article VII and references to such Sections are renumbered accordingly.
13. In the Appendix, **Definitions**, all references to Section numbers and paragraphs are modified, as necessary, to reflect the modifications set forth above.
14. A new paragraph 19 is inserted with the following definition of "Commitment Charge", and the remaining paragraphs are renumbered accordingly:

"19. "Commitment Charge" means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b)."
15. 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).
16. 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."
17. 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".
18. Renumbered paragraph 88 (originally paragraph 87) of the Appendix, setting forth the definition of "Special Commitment" is deleted in its entirety, and all subsequent paragraphs are renumbered accordingly.