



LOAN NUMBER 8362-RO

Loan Agreement

(Health Sector Reform - Improving Health System Quality and Efficiency Project)

between

ROMANIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated *June 17*, 201*4*

LOAN AGREEMENT

Agreement dated June 17, 2014 between ROMANIA ("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 two hundred and fifty million Euro (€250,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount. The Borrower shall pay the Front-end Fee not later than 60 days after the Effective Date.
- 2.04. 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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.
- 2.05. The Payment Dates are March 1 and September 1 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of

the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (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 objectives of the Project. To this end, the Borrower shall carry out the Project through the Ministry of Health of Romania ("MOH") in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV—TERMINATION

- 4.01 The Effectiveness Deadline is the date of one hundred and fifty (150) days after the date of this Agreement.

ARTICLE V— REPRESENTATIVE; ADDRESSES

- 5.01. The Borrower's Representative is the Minister of Public Finance or whomever the Minister delegates the authority to.
- 5.02. The Borrower's Address is:

Apolodor Street no 17, quarter 5
Bucharest, Romania

Facsimile: 4021 312 67 92
4021 311 23 76

5.03. The Bank's Address is:


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

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

AGREED at Bucharest, as of the day and year first
above written.

ROMANIA

By



Authorized Representative

Name: Ioana-Maria Petrescu

Title: Minister of Public Finance

By



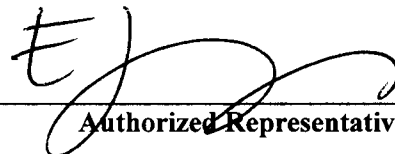
Authorized Representative

Name: Liviu Voinea

Title: Minister Delegate for Budget

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By



Authorized Representative

Name: Elisabetta Capannelli

Title: Country Manager

SCHEDULE 1

Project Description

The objective of the Project is to improve access to, and quality and efficiency of, public health services in Romania.

The Project consists of the following parts:

Part A. Hospital Network Rationalization

Rationalization of the health care service delivery network by supporting the provision of goods, works, non-consulting services, consultants' services and training in selected regional emergency hospitals, county hospitals, and local hospitals through the following activities:

- (a) Improving selected medical services, including surgery rooms, intensive care units, burn units, radiotherapy units, emergency services (including emergency telemedicine systems) and diagnosis (medical imaging) services.
- (b) Redefining the hospital's role in the health care system, merge services and reduce the number of single specialty hospitals, and move from multi-building settings into single buildings with integrated diagnostic and interventional platforms.
- (c) Carrying out rehabilitation works within the existing medical facilities.
- (d) Upgrading and/or acquiring medical and other equipment for existing medical facilities.

Part B. Ambulatory Care Strengthening

- 1. Strengthening specialized secondary ambulatory care by supporting the provisions of goods, works, non-consulting services, consultants' services and training through the following activities:
 - (a) Developing centers for ambulatory diagnostic and treatment services.
 - (b) Transforming local hospitals into centers for ambulatory diagnostic and treatment.
 - (c) Improving cancer screening networks by, among others, establishing additional cancer screening centers, creating three (3) mobile units for cancer screening and strengthening the technical capacity of regional pathology and cytology laboratories.

2. Enhancing primary health care services at the community level by supporting the provisions of goods, works, non-consulting services, consultants' services and training, by scaling up local multifunctional health centers, increasing the provision of differentiated types of long-term healthcare such as palliative care dedicated to vulnerable groups.

Part C. Health Sector Governance and Stewardship Improvement

Improving sector governance and stewardship of the MOH and other relevant governmental institutions to bridge the gap between policy and practice and to strengthen the capacity of improving the quality of medical care services through the provisions of goods, non-consulting services, consultants' services and training, through the following activities.

- (a) Updating clinical guidelines and implementing quality control mechanisms.
- (b) Strengthening and implementing health technology assessments (HTA) and developing evidence-based standards and protocols.
- (c) Standardizing cost accounting systems in a subset of selected hospitals to update the estimated costs of each case mix.
- (d) Strengthening the capacity of the health sector to conduct surveys and studies, develop and manage projects, and finance feasibility and pre-investment studies, including feasibility studies and technical designs for new medical facilities in the regional emergency hospitals of Cluj, Iasi and Craiova.
- (e) Streamlining the national health programs to move the focus toward preventive care and promotion of population health services.
- (f) Strengthening the communications strategy of the MoH to inform the general public on reform programs and expected outcomes.

Part D. Project Management, Monitoring and Evaluation

Supporting the MOH and the Project Management Unit ("PMU") in Project management and implementation, including fiduciary tasks, monitoring and evaluation and reporting through the provisions of goods, non-consulting services, consultants' services, training, auditing and incremental operating costs.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. ***Steering Committee.*** The Borrower, through MOH, shall establish by not later than 3 (three) months following the Effectiveness Date, and thereafter maintain, throughout the implementation of the Project, a Steering Committee ("SC"), chaired by the Minister of Health of the Borrower and including high-level representatives of the MoH and any other relevant stakeholders, with terms of reference, composition and resources satisfactory to the Bank, which shall, among other functions, be responsible for providing overall strategic guidance for the Project and ensure coordination among the various stakeholders of the Project.
2. ***Project Management Unit (PMU).*** The Borrower, through MOH, shall maintain, throughout the implementation of the Project, the PMU with terms of reference, composition and resources satisfactory to the Bank, which shall be responsible, *inter alia*, for the: (a) day-to-day financial management of the Project, including audits; (b) monitoring, evaluation and reporting of Project activities; (c) carrying out of the procurement under the Project; (d) managing of any Training activity carried out under the Project in accordance with a semi-annual training plan approved by the Bank; (e) overall coordination and facilitation of the implementation of the Project; (f) preparation of annual work programs and semi-annual budget plans of the Project; (g) preparation of the progress reports for the Project; and (i) following-up on the orientations and recommendations of the SC.

B. Anti-Corruption.

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

C. Project Operational Manual.

1. Except as the Bank shall otherwise agree, the Borrower, through MOH, shall carry out the Project in accordance with the Project Operational Manual, and except as the Bank shall otherwise agree, not amend, abrogate, waive, or permit to be amended, abrogated, or waived, the aforementioned, or any provision thereof, without the prior written agreement of the Bank.

D. Safeguards.

1. The Borrower, through MOH, shall carry out the Project in accordance with the EMF and shall not amend, abrogate or waive the provisions of the EMF without prior written agreement with the Bank.

2. The Borrower, through MOH, shall: (a) prepare site-specific EMPs, when required, in accordance with the EMF requirements, and shall disclose such EMPs and carry them out in a satisfactory manner; (b) ensure that all measures necessary for the carrying out of the EMF and respective EMPs are taken in a timely manner; (c) ensure that adequate resources are made available for the proper implementation of the EMF and EMPs; and (d) ensure that the Project Reports referred to in Section II of this Schedule will include adequate information on monitoring the measures defined in the EMF and EMPs.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports.

1. The Borrower, through MOH, 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 semester, and shall be furnished to the Bank not later than forty five (45) days after the end of the period covered by such report.
2. The Borrower, through MOH, shall: (a) on or about thirty (30) months after the Effective Date, carry out jointly with the Bank, a midterm review of the progress made in carrying out the Project (the Midterm Review), to cover, amongst other matters, progress made in meeting the Project's objective; and overall Project performance against Project performance indicators; and

(b) no later than four weeks after the Midterm Review, prepare and submit to the Bank an action program, acceptable to the Bank, for the further implementation of the Project having regard to the findings of the Midterm Review and, thereafter, implement such action program.

B. Financial Management, Financial Reports and Audits.

1. The Borrower, through MOH, 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, through MOH, shall prepare and furnish to the Bank, as part of the Project Report not later than forty (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.
3. The Borrower, through MOH, 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, commencing with the fiscal year in which the first withdrawal was made under the Project. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

Section III. Procurement

A. General.

1. **Goods, Works and Non-consulting Services.** All goods, works 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, Works and Non-consulting Services.

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding procedures.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding as described in paragraphs 3.3 and 3.4 of the Procurement Guidelines; (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) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) 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.

Category	Amount of the Loan Allocated (expressed in EUR)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consultants' services for the Project, including Training and audits, and Incremental Operating Costs	250,000,000	100%
TOTAL AMOUNT	250,000,000	

- (a) The term "Training" means expenses incurred by the MoH in connection with carrying out training activities and workshops under the Project, including transport and accommodation costs and *per diem* for trainees, trainers and workshop attendees, trainer fees, rental of facilities and equipment, training materials and related supplies.
- (b) The term "Incremental Operating Costs" means the incremental operating costs incurred by the PMU on account of Project implementation, comprising: communication (including postage and internet); salaries for PMU staff (non-civil servants); contractual and temporary support staff, translation and interpretation; procurement related advertising costs; local transportation; fuel; operating, maintenance and insurance costs for vehicles; rent of office accommodation; refurbishment and rehabilitation of offices including equipment; office supplies; maintenance and insurance of office equipment; Project related

travel and *per diem* allowances including accommodation and local transportation; and banking charges.

- (c) The term “Goods” includes medical equipment, information technology and communication equipment, other equipment, medical mobile units, and vehicles.

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; and
 - (b) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed five million euro (€5,000,000) equivalent may be made for payments made prior to this date but on or after twelve months before the date of this Agreement for Eligible Expenditures.
2. The Closing Date is December 15, 2020.

SCHEDULE 3

Amortization Schedule

The Borrower shall repay the principal amount of the Loan in full on March 1, 2032.

APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011.
4. “Environmental Management Framework” means the Environment Management Framework dated February 14, 2014, satisfactory to the Bank, setting forth: (a) the existing environmental regulations and standards of the Borrower relevant to the Project; (b) institutions of the Borrower at the local and national levels responsible for issuing permits, licenses, and enforcing compliance of environmental standards; (c) environmental and waste management mitigation measures; (d) monitoring and institutional measures for the Project; and (e) requirements and procedures for preparation of site-specific EMPs for the Project.
5. “Environmental Management Plan” or “EMP” means a site-specific environmental management plan to be prepared for specific investment activities under the Project and in accordance with the requirements of the EMF.
6. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated March 12, 2012.
7. “Ministry of Health” or “MoH” means the Borrowers’ Ministry of Health or its successor thereof.
8. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011.
9. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated February 17, 2014 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.
10. “Project Management Unit” or “PMU” means the unit established within the MOH pursuant to the Minister of Health’s Order No. 1099 dated November 5, 2012 and Minister of Health Order No. 168 dated February 14, 2014, as described in Part A.2 of Schedule 2 to this Agreement and which may during the implementation of the Project be relocated to a specialized agency of the MOH with the prior agreement of the Bank.

11. "Project Operational Manual" or "POM" means the manual dated January 15, 2014 outlining, *inter alia*, responsibilities, procurement and contracting procedures, and procedures for preparation of annual Training plans for the implementation of the Project, and such term includes any schedules to the manual, as described in Section I.C of Schedule 2 to this Agreement.
12. "Steering Committee" of "SC" means the Borrower's committee to be established pursuant to Part A.1 of the Schedule 2 to this Agreement.