

CONFORMED COPY

LOAN NUMBER 3291-AR

Loan Agreement

(Public Enterprise Reform Adjustment Loan)

between

THE ARGENTINE REPUBLIC

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated April 8, 1991

LOAN NUMBER 3291-AR

LOAN AGREEMENT

AGREEMENT, dated April 8, 1991, between the ARGENTINE REPUBLIC (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received a letter dated March 6, 1991 from the Borrower describing a program of actions, objectives and policies designed to achieve structural adjustment of key sectors of the Borrower's economy through, inter alia, the privatization and reform of public enterprises (hereinafter called the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Bank in the financing of urgently needed imports required during such execution; and

(B) on the basis, inter alia, of the foregoing, the Bank has decided in support of the Program to provide such assistance to the Borrower by making the Loan in tranches as hereinafter provided;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications thereof set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 11, shall be modified to read:

"'Project' means the imports and other activities that may be financed out of the proceeds of the Loan pursuant to the provisions of Schedule 1 to the Loan Agreement.";

(b) the last sentence of Section 3.02 is deleted; and

(c) Section 9.07 (c) shall be modified to read:

"(c) Not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution of the program referred to in the Preamble to the Loan Agreement, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "SITC" means the Standard International Trade Classification, Revision 3 (SITC, Rev. 3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986);

(b) "Austral" and "A" mean the currency of the Borrower;

(c) "YPF" means Yacimientos Petroliferos Fiscales, the Borrower's National Petroleum Company;

(d) "GdE" means Gas del Estado, the Borrower's National Gas Company;

(e) "FA" means Ferrocarriles Argentinos, the Borrower's National Railway Company;

(f) "Urquiza" means the passenger railway line of standard gauge of approximately 3,130 kms covering the Borrower's Provinces of Entre Rios, Corrientes and Misiones (excluding the Suburban services of the Metropolitan area of Buenos Aires);

(g) "Mitre" means the railway line of approximately 5,011 kms;

(h) "San Martin" means the railway line of approximately 4,773 kms mainly covering the Provinces of Santa Fe, Cordoba and Tucuman;

(i) "Sarmiento" means the railway line of approximately 706 kms operating west of the City of Buenos Aires;

(j) "Rosario-Bahia Blanca" means the railway line of approximately 5,331 kms, as defined in Resolution No. 336/90, dated June 15, 1990, of the Ministry of Public Works and Services of the Borrower;

(k) "PPFs" means the project preparation advances granted by the Bank to the Borrower pursuant to exchanges of letters dated March 29, 1990 and April 23, 1990; and August 10, 1990 and August 16, 1990, respectively;

(l) "PEREL" means the Loan Agreement (Public Enterprise Reform Execution Project) of even date herewith between the Borrower and the Bank;

(m) "Compre Argentino legislation" means the Borrower's Decree-law No. 5340/63 and Law No. 18875, dated December 23, 1970, their regulations, and all amendments thereto;

(n) "Public Enterprise" means an enterprise or entity with independent

patrimony and juridical personality of which a majority of the outstanding voting stock or other proprietary interest is owned or effectively controlled by the Borrower, any of its agencies or other public enterprise;

(o) "AyE" means Agua y Energia Electrica, a national water and power company of the Borrower;

(p) "Hidronor" means Hidroelectrica Norpatagonica, a power generation company of the Borrower;

(q) "SEGBA" means Servicios Electricos del Gran Buenos Aires, the power distribution company of the Borrower for the Province of Buenos Aires;

(r) "OSN" means Obras Sanitarias de la Nacion, the water and sanitation company of the Borrower; and

(s) "AGP" means Administracion General de Puertos, the Borrower's port administration entity.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of three hundred million dollars (\$300,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement.

(b) Promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount required to repay the principal amount of the PPFs withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the PPFs shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 1993 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ($\frac{1}{2}$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989, bearing interest rates determined otherwise than as provided in paragraph (a) of

this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on March 1 and September 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.

ARTICLE III

Particular Covenants

Section 3.01. (a) The Borrower and the Bank shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Schedule 4 to this Agreement.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program and the actions specified in Schedule 4 to this Agreement, in such detail as the Bank shall reasonably request.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. Not later than the 15th of each month, the Borrower shall furnish to the Bank a report of such scope and detail as the Bank shall have reasonably requested, on the prices of crude oil, petroleum products and natural gas in effect during the last two preceding months in Argentina.

Section 3.04. (a) The Borrower shall maintain or cause to be maintained separate records and accounts adequate to reflect in accordance with consistently maintained sound accounting practices the expenditures financed out of the proceeds of the Loan.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to

time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audits referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 3.05. The Borrower shall establish, by not later than January 1, 1992, and thereafter maintain, a system, satisfactory to the Bank, for determining the sale price of natural gas, such system to include, inter alia, mechanisms to ensure that the sale price of natural gas for industries, power stations and the commercial sector shall be, in each calendar month, equivalent to at least ninety percent of the average price charged for fueloil, at caloric equivalent, in the respective calendar month immediately preceding.

ARTICLE IV

Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

- (a) that all conditions precedent to the effectiveness of the PEREL have been fulfilled, subject only to the effectiveness of this Agreement;
- (b) that the Borrower has maintained its policy of full deregulation of prices and free imports and exports of crude oil and petroleum products, provided in the Borrower's Decree No. 1212, dated August 11, 1989, in terms satisfactory to the Bank;
- (c) that the Bank, based on evidence satisfactory to the Bank, is satisfied:
 - (i) with the progress achieved by the Borrower in the carrying out of the Program; and
 - (ii) that the macroeconomic policy framework of the Borrower is consistent with the objectives of the Program; and
- (d) that the Borrower has executed concession contracts with private sector investors to operate the Rosario-Bahia Blanca Line.

Section 5.02. The date July 8, 1991 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representatives of the Borrower; Addresses

Section 6.01. The Ministro de Economia of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministerio de Economia
Hipolito Yrigoyen 250
Buenos Aires
Argentina

Cable address:

MINISTERIO ECONOMIA
Baires

Telex:

121952 AR

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

197688 (TRT)
248423 (RCA)
64145 (WUI) or
82987 (FTCC)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

THE ARGENTINE REPUBLIC

By /s/ Carlos Ortiz de Rosas

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Pieter P. Bottelier

Acting Regional Vice President
Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. Subject to the provisions set forth or referred to in this Schedule, the proceeds of the Loan may be withdrawn from the Loan Account for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods required during the execution of the Program and to be financed out of such proceeds and to repay the principal amount of the PPFs withdrawn and outstanding and all unpaid interest and charges thereon, all in accordance with the allocation of the interest proceeds of the Loan set forth in the Table below (the Table):

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)
(1) Amount of the Loan to be disbursed on or after the Effective Date (including all amounts due under the PPFs and to be paid as provided in Section 2.02 (b) of this Agreement)	150,000,000
(2) Amount of the Loan to be disbursed on or after the Effective Date subject to the provisions of para- graphs 4 and 6 of this Schedule	75,000,000
(3) Amount of the Loan to be disbursed on or after the Effective Date subject to the provisions of paragraphs 5 and 6 of this Schedule	75,000,000
TOTAL	300,000,000

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) expenditures for goods included in the following SITC groups or sub-groups, or any successor groups or sub-groups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

Group	Sub-group	Description of Items
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured, tobacco refuse
122	-	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	-	Radioactive and associated materials
667	-	Pearls, precious and semi-precious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges), non-irradiated for nuclear reactors
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971	-	Gold, non-monetary (excluding gold ores and concentrates);

(b) expenditures in the currency of the Borrower or for goods supplied from the territory of the Borrower;

(c) payments made for expenditures prior to the date of this Agreement, except that withdrawals in an aggregate amount not exceeding the equivalent of \$60,000,000 may be made on account of payments made for such expenditures before that date but after October 1, 1990;

(d) expenditures for goods procured under contracts costing less than \$50,000 equivalent;

(e) expenditures for goods supplied under a contract which any national or international financing institution or agency other than the Bank shall have financed or agreed to finance;

(f) expenditures for goods intended for a military or para-military purpose or for luxury consumption;

(g) expenditures in excess of an aggregate amount equivalent to \$50,000,000 for petroleum products and foodstuffs; and

(h) any imports eligible for financing under the Loan unless the Borrower shall have furnished to the Bank a statement from independent auditors acceptable to the Bank showing in terms satisfactory to the Bank that such imports: (i) have been paid for; and (ii) have entered into the country.

3. Withdrawals for expenditures under contracts for the procurement of goods estimated to cost less than \$5,000,000 may be permitted by the Bank upon the basis of statements of expenditure under such terms and conditions as the Bank shall specify.

4. Without limitation or restrictions to the provisions of paragraphs 2 and 6 of this Schedule, no withdrawal shall be made and no commitment shall be entered into to pay amounts to or on the order of the Borrower in respect of expenditures to be financed out of the proceeds of the Loan allocated to Category (2) of the Table, unless the Bank shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Bank: (a) with the progress achieved by the Borrower in the carrying out of the Program; and (b) that the actions described in paragraph I of Schedule 4 to this Agreement have been taken in form and substance satisfactory to the Bank.

5. Without limitation or restriction to the provisions of paragraphs 2 and 6 of this Schedule no withdrawal shall be made and no commitment shall be entered into to pay amounts to or on the order of the Borrower in respect of expenditures to be financed out of the proceeds of the Loan allocated to Category (3) of the Table, unless the Bank shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Bank: (a) with the progress achieved by the Borrower in the carrying out of the Program; and (b) that the actions described in paragraph II of Schedule 4 to this Agreement have been taken in form and substance satisfactory to the Bank.

6. Further to the provisions of paragraphs 4 and 5 of this Schedule, withdrawals under Categories (2) and (3) of the Table shall be made only if the Bank shall be satisfied after the exchange of views referred to in such paragraphs 4 and 5, based on evidence satisfactory to the Bank, that: (a) the macroeconomic policy framework of the Borrower is consistent with the objectives of the Program; and (b) that the actions described in paragraph III of Schedule 4 to this Agreement have been taken in form and substance satisfactory to the Bank.

7. If, after the exchange of views described in paragraphs 4, 5 and 6 above, the Bank shall have given notice to the Borrower that the progress achieved and actions taken are not satisfactory or that the macroeconomic policy framework of the Borrower is not consistent with the objectives of the Program, and, within 90 days after such notice, the Borrower shall not have achieved progress and taken actions satisfactory to the Bank, or the macroeconomic policy framework of the Borrower shall have not become consistent with the objectives of the Program, then the Bank may, by notice to the Borrower, cancel the unwithdrawn amount of the Loan or any part thereof.

8. To the extent practicable withdrawal applications shall be consolidated so as to apply for withdrawal amounts of not less than \$1,000,000 equivalent.

SCHEDULE 2

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
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On each March 1 and September 1

beginning on September 1, 1996

through March 1, 2008

12,500,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.18
More than three years but not more than six years before maturity	0.35
More than six years but not more than eleven years before maturity	0.65
More than eleven years but not more than fifteen years before maturity	0.88
More than fifteen years before maturity	1.00

SCHEDULE 3

Procurement

1. Contracts for the procurement of goods estimated to cost the equivalent of \$5,000,000 or more each shall be awarded through international competitive bidding in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines), subject to the following modifications:

(a) Paragraph 2.8 of the Guidelines is deleted and the following is substituted therefor:

"2.8 Notification and Advertising

The international community should be notified in a timely manner of the opportunity to bid. This will be done by advertising invitations to apply for inclusion in a bidder's invitation list, to apply for prequalification, or to bid; such advertisements should be placed in at least one newspaper of general circulation in the Borrower's country and, in addition, in at least one of the following forms:

- (i) a notice in the United Nations publication, Development Business; or
- (ii) an advertisement in a newspaper, periodical or technical journal of wide international circulation; or
- (iii) a notice to local representatives of countries and territories referred to in the Guidelines, that are potential suppliers of the goods required."

(b) The following is added at the end of paragraph 2.21 of the Guidelines:

"As a further alternative, bidding documents may require the bidder to state the bid price in a single currency widely used in international trade and specified in the bidding documents."

(c) Paragraphs 2.55 and 2.56 of the Guidelines are deleted.

2. Contracts for the procurement of goods estimated to cost the equivalent of less than \$5,000,000 shall be awarded:

(a) by purchasers required to follow the Borrower's public procurement procedures for the importation of goods, on the basis of such procedures, provided that such procedures shall have been found acceptable by the Bank;

(b) by other purchasers, in accordance with established commercial practice, provided that such contracts shall be awarded on the basis of evaluation and comparison of quotations obtained from suppliers from at least two countries, except that direct contracting procedures acceptable to the Bank may be used where considered appropriate under paragraph 3.5 of the Guidelines; and

(c) by any purchasers, for the supply of commodities, on the basis of evaluation and comparison of quotations obtained from more than one supplier.

3. With respect to each contract referred to in paragraph 1 of this Schedule, the Borrower shall furnish to the Bank, prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids and recommendations for award, a description of the advertising and tendering procedures followed and such other information as the Bank shall reasonably request.

4. With respect to each contract referred to in paragraph 2 of this Schedule, the Borrower shall furnish to the Bank, prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect thereof, such documentation and information as the Bank may reasonably request to support withdrawal applications in respect of such contract.

5. The provisions of the preceding paragraph 4 of this Schedule shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure.

SCHEDULE 4

Actions Referred to in Paragraphs 4, 5 and 6 of Schedule 1 to this Agreement

I. Actions referred to in Paragraph 4 (b) of Schedule 1 to this Agreement

(a) The Borrower has executed concession contracts with private sector investors to operate the following railway cargo lines Urquiza, Mitre, San Martin and Sarmiento.

(b) (i) The Borrower has reorganized the Buenos Aires metropolitan passenger railway services; (ii) a new railway company (administratively and operationally independent from FA) has been legally established and is operating such metropolitan railway services; and (iii) the Borrower has established a railway transit authority, with functions and responsibilities satisfactory to the Bank, to regulate the provision of suburban passenger services in the Buenos Aires metropolitan area.

(c) The Borrower and relevant provincial and local authorities have formally approved a plan, satisfactory to the Bank, for the gradual reduction of all public subsidies (excluding subsidies explicitly allocated to maintenance) to the Buenos Aires metropolitan railway passenger services from 1990 subsidy levels.

(d) The Borrower and FA have agreed on a rationalization plan for interurban railway passenger services, including elimination or transfer to alternative operators of all non-essential and unprofitable services.

(e) The Borrower has established a national railway authority, with functions and responsibilities satisfactory to the Bank, to regulate the provision of railway services throughout Argentina.

II. Action referred to in paragraph 5 (b) of Schedule 1 to this Agreement

(a) The Borrower has maintained its policy of full deregulation of prices and free imports and exports of crude oil, petroleum products and natural gas provided in the Borrower's Decree No. 1212, dated August 11, 1989.

(b) The Borrower has executed legally valid and binding production sharing contracts in the four central areas of YPF put up for tender pursuant to the provisions of the Borrower's Decree No. 1216/90 dated June 26, 1990.

(c) The Borrower has achieved progress satisfactory to the Bank in its program of divestiture and privatization of YPF and GdE including: (i) the divestiture to the private sector of a significant number of YPF's service and downstream business units with an aggregate cash sale value equivalent to at least two hundred million dollars; (ii) tendering of GdE's distribution and transmission systems in terms satisfactory to the Bank and completion of the privatization process in terms satisfactory to the Bank of at least 2 natural gas distribution areas with aggregate distribution volume equivalent to at least 25% of GdE's total sales; and (iii) the transfer to the private sector for their free disposability of at least 10% of Argentina's total natural gas production.

(e) The Borrower has formally approved a new charter for YPF, satisfactory to the Bank, providing for a corporate structure allowing for administrative and financial autonomy from the Borrower and increasing ownership participation of the private sector.

(f) The Borrower has restructured all policy making and regulatory agencies in the oil and gas sectors in terms satisfactory to the Bank, including the enactment of appropriate legislation to ensure administrative, financial and political independence of such regulatory agency or agencies and to enable them to secure qualified staff in adequate numbers, remunerated in terms substantially equivalent to private counterparts in such sectors.

(g) The Borrower has adopted and maintained the system referred to in Section 3.05 of this Agreement.

III. Actions referred to in paragraph 6 (b) of Schedule 1 to this Agreement

(a) The Borrower has approved and signed performance agreements with AyE, YPF, Hidronor and the Buenos Aires metropolitan railway services, satisfactory to the Bank, such agreements to include performance targets which are transparent and monitorable on an ex post basis and provide for incentives and penalties applicable to public enterprises management.

(b) The Borrower has formally approved plans acceptable to the Bank to privatize and/or restructure SEGBA, AGP and OSN.

(c) The Borrower has repealed or amended the Compre Argentino legislation or has taken any other action satisfactory to the Bank to eliminate any preferences or restrictions based on the national origin of goods to be applied in the procurement of goods or services.

(d) The Borrower shall have allocated in its budgets for 1991 and 1992, as budgetary and extra budgetary transfers (other than transfers for severance payments to employees) to FA, including the Buenos Aires metropolitan railway services, an aggregate amount not to exceed the equivalent of \$350,000,000 and \$250,000,000, respectively.

(e) The Borrower shall not have made any budgetary or extra budgetary transfers to GdE in its budget for 1992.

