

CONFORMED COPY

LOAN NUMBER 2815 AR

(Trade Policy and Export Diversification Loan)

between

THE ARGENTINE REPUBLIC

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 29, 1987

LOAN NUMBER 2815 AR

LOAN AGREEMENT

AGREEMENT, dated July 29, 1987, between the ARGENTINE REPUBLIC (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received a letter from the Borrower describing a program of actions, objectives and policies designed to develop and implement the Borrower's economic growth strategy focused on improving export competitiveness and increasing the productive efficiency of Argentine industry (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 and services required during the execution of the first phase of the Program;

(B) the Borrower, as part of the Program, will establish a fund for the financing of exports of manufactured goods; and

(C) 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 two 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) 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."; and

(c) The last sentence of Section 3.02 is deleted.

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 United Nations Standard International Trade Classification, 1974 Revision (SITC, Rev. 2), published in Commodity Indexes for the Standard International Trade Classification, Revised, Statistical Papers, Series M, No. 38/Rev. 2 (1981);

(b) "Austral" means the currency of the Borrower;

(c) "Banco Central" means Banco Central de la Republica Argentina;

(d) "SICE" means the Secretaria de Industria y Comercio of the Borrower;

(e) "DJAT" means Declaracion Jurada de Admision Temporaria, the Borrower's import request required for the importation of goods under its temporary admission import regime;

(f) "DJNI" means Declaracion Jurada de Necesidad de Importacion, the Borrower's general import request requirement;

(g) "MINEC" means the Ministerio de Economia of the Borrower;

(h) "Temporary Tariff Protection" means any import tariff rate increase above an import tariff rate of 40% on the CIF value of imports carried out by the Borrower after December 31, 1986; and

(i) "tariff position" means the denomination of a product in the Borrower's import tariff nomenclature.

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, an amount in various currencies equivalent to five hundred million dollars (\$500,000,000).

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 The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1988 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 (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 per annum for each Interest Period equal to one-half of one percent per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of 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 for such Semester.

(c) For purposes of this Section:

- (i) "Interest Period" means the six-month period commencing on each date specified in Section 2.06 of this Agreement, including the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per annum, as reasonably determined by the Bank.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

Section 2.06. Interest and other charges shall be payable semiannually on February 15 and August 15 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.

Section 2.08. (a) Banco Central is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

(b) As part of the foregoing, the Borrower hereby entrusts Banco Central with responsibility for the preparation of withdrawal applications under the Loan and for the collection of the documents and other evidence to be furnished to the Bank in support of such applications; such withdrawal applications shall, to the extent practicable, be consolidated so as to apply for withdrawal of aggregate amounts of not less than \$100,000 equivalent.

ARTICLE III

Particular Covenants

Section 3.01. (a) The Borrower and the Bank shall by December 15, 1987 and, at such other times 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, 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. (a) As part of the execution of the Program, the Borrower shall, not later than the Closing Date, take all such measures as shall be required to: (i) improve customs procedures and equipment in order to speed up international trade processing, including acquisition of computer and telex equipment, and weight scales; and (ii) strengthening the Borrower's capabilities to carry out the Program, including acquisition of office equipment for SICE and MINEC.

(b) In order to assist the Borrower in carrying out the measures included in the preceding paragraph, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

Section 3.04. (a) The Borrower undertakes to: (i) limit its Temporary Tariff Protection to a maximum import tariff rate of 100% on the CIF value of imports, provided however, that the import tariff rate for at least 85% of the Borrower's import tariff positions which shall have benefitted from Temporary Tariff Protection, shall not exceed 70% on the CIF value of imports; and (ii) prepare and implement a three-year calendar for the reduction of the import tariff rates applicable to tariff positions which have been subject to Temporary Tariff Protection to a minimum rate of 10% and a maximum of 60% on the CIF value of imports, provided, however, that the maximum import tariff rate for at least 75% of such import tariff position shall not exceed 40% on the CIF value of imports.

(b) Notwithstanding the provisions of the preceding paragraph (a) (ii), the Borrower undertakes to take all necessary action to ensure that the maximum tariff rate for at least 75% of the value of imports under tariff positions covered by the calendar referred to in the preceding paragraph (a) (ii), calculated on the basis of the import values for the third year of implementation of such calendar, shall be subject to a maximum tariff rate not exceeding 40% on the CIF value of imports.

Section 3.05. (a) The Borrower shall: (i) carry out a study on a timetable satisfactory to the Bank on the interest rates applicable to the Borrower's export credit programs; and (ii) exchange views with the Bank on the conclusions and recommendations of such study.

(b) The Borrower shall: (i) not later than March 31, 1988, carry out under terms of reference satisfactory to the Bank, studies on improvements to its present trade regime and public purchases systems and procedures and on the levels of effective protection to domestic production; and (ii) promptly upon the completion of each of such studies furnish to the Bank, and exchange views with the Bank on, their conclusions and recommendations.

Section 3.06. Unless the Bank shall otherwise agree, the Borrower shall not change or fail to enforce its procedures established in Resolucion SICE No. 1,062/86 for consultation of producers associations in connection with the approval of DJNI for the importation of goods subject to the prior determination of the existence of comparable goods locally manufactured.

Section 3.07. (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 four 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.

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 an event has occurred 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 the Borrower shall have approved terms of reference acceptable to the Bank for carrying out the study referred to in Section 3.05 (a) of this Agreement; and
- (b) that the macro-economic policy framework of the Borrower, including its external borrowing policy, is consistent with the Program.

Section 5.02. The date October 27, 1987 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. Except as provided in Section 2.08 (a) of this Agreement, 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:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

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/ Santiago del Puerto

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ S. Shahid Husain

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 (a) imported goods required during the execution of the Program and to be financed out of such proceeds, and (b) goods and consultants' services required for the execution of the measures referred to in Section 3.03 of this Agreement.

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:

| Group | Sub-group | Description of Items |
|-------|-----------|---|
| 112 | - | Alcoholic beverages |
| 121 | - | Tobacco, unmanufactured tobacco refuse |
| 122 | - | Tobacco, manufactured |
| 667 | - | Pearls, precious and semi-precious stones, unworked or worked |
| 688 | - | Uranium depleted in U235 and thorium, and their alloys, unwrought or wrought, and articles therefor, n.e.s.; waste and scrap of uranium depleted in U235 and of thorium |
| 718 | 718.7 | Nuclear reactors, and parts thereof, n.e.s. |
| 897 | 897.3 | Jewelry of gold, silver or platinum group metals (except |

watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)

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971.0

Gold, non-monetary (excluding gold ores and concentrates)

(b) expenditures for goods subject to prior approval of DJNI pursuant to Decree No. 4,070/84 as amended from time to time;

(c) expenditures (other than those related to the measures referred to in Section 3.03 of the Loan Agreement), in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

(d) payments made for expenditures prior to March 1, 1987;

(e) expenditures for goods procured under contracts costing less than \$5,000 equivalent;

(f) expenditures for goods supplied under a contract which any public national or multilateral international financing institution or agency shall have financed or agreed to finance;

(g) expenditures for goods intended for a military or related purpose; and

(h) expenditures in connection with the measures referred to in Section 3.03 of the Loan Agreement which, in the aggregate, exceed the equivalent of \$4,000,000.

3. No withdrawal shall be made and no commitment shall be entered into to pay amounts to the Borrower or others in respect of expenditures, other than the those referred to in paragraph 2 (h) of this Schedule, to be financed out of the proceeds of the Loan after the aggregate of the proceeds of the Loan withdrawn from the Loan Account and the total amount of such commitments shall have reached the equivalent of \$248,000,000, unless the Bank shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement: (a) with the progress achieved by the Borrower in carrying out the Program; and (b) that the Borrower has complied with the conditions set forth in Schedule 4 to this Agreement.

4. Unless the Borrower shall have complied with the conditions set forth or referred to in paragraph 3 of this Schedule by March 31, 1988, the Bank may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to any amount remaining undisbursed in the Loan Account after such date, other than the amount required for the execution of the activities referred to in Section 3.03 of this Agreement.

SCHEDULE 2

Amortization Schedule

| Date Payment Due | Payment of Principal (expressed in dollars)* |
|---|---|
| On each February 15 and August 15 beginning February 15, 1991 through February 15, 2002 | 20,835,000 |
| On August 15, 2002 | 20,795,000 |

* 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

The following premiums are specified for the purposes of Section 3.04 (b) of the General Conditions:

| Time of Prepayment | Premium |
|---|---|
| | The interest rate (expressed as a percentage per annum) applicable to the balance outstanding on the Loan on the day of prepayment multiplied by: |
| Not more than three years before maturity | 0.20 |
| More than three years but not more than six years before maturity | 0.40 |
| More than six years but not more than 11 years before maturity | 0.73 |
| More than 11 years but not more than 13 years before maturity | 0.87 |
| More than 13 years before maturity | 1.00 |

SCHEDULE 3

Procurement

1. Contracts for goods procured by public agencies of the Borrower estimated to cost the equivalent of \$5,000,000 or more each, and contracts for goods for the activities referred to in Section 3.03 of the Loan Agreement estimated to cost the equivalent of \$250,000 or more, 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 Forum, Business Edition; 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. Except as provided in paragraph 3 hereof, contracts for goods procured by public agencies of the Borrower estimated to cost the equivalent of less than \$5,000,000 each and contracts for goods procured by private sector companies may be awarded on the basis of the normal procurement procedures of the purchaser of such goods.

3. Contracts for goods for the activities referred to in Section 3.03 of this Agreement estimated to cost less than the equivalent of \$250,000 may be procured on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

4. 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.

5. With respect to each contract referred to in paragraphs 2 and 3 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.

6. The provisions of the preceding paragraphs 4 and 5 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

Conditions Referred to in Paragraph 3 (b) of Schedule 1 to this Agreement

The following are the conditions for purposes of paragraph 3 (b) of Schedule 1 to this Agreement:

- 1. that the macro-economic policy framework of the Borrower, including its external borrowing policy is consistent with the Program;
- 2. that the Borrower shall have reviewed the performance of its temporary admission regimes for imports regulated by Decree No. 1553, dated September 4, 1986, and Decree No. 1554, dated September 4, 1986, and if required, taken all administrative measures necessary to ensure the smooth and efficient performance of such temporary admission regimes;
- 3. that the Borrower shall have: (i) expanded its list of import tariff positions which are not subject to prior approval of DJNI by at least 700 tariff positions by removing such import tariff positions from the Borrower's list of import tariff positions subject to prior approval in force on December 31, 1986, thus raising the total number of positions on the former list to at least 7,847 import tariff positions, such import tariff positions so transferred to represent an annual industrial production value equivalent to at least \$700,000,000,

calculated on the basis of the 1985 industrial production and the dollar value in 1985; and (ii) added at least such 700 import tariff positions to the list of import tariff positions which are subject to automatic approval of DJAT;

4. that the Borrower shall have prepared the calendar referred to in Section 3.04 (a) (ii) of this Agreement; and

5. that the Borrower shall have: (i) expanded its so-called "one-stop window" (ventanilla unica) process for the approval of exports to all its 49 customs offices; and (ii) taken all necessary measures, including, if necessary, presentation of appropriate legislation to Congress, to formally exclude from participating in such "one-stop-window" (ventanilla unica) process all public agencies of the Borrower which are de facto non-participants in such export approval process.

