

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7362-AR

Loan Agreement

(National Urban Solid Waste Management Project)

between

ARGENTINE REPUBLIC

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated December 20, 2006

Public Disclosure Authorized

LOAN NUMBER 7362-AR

LOAN AGREEMENT

AGREEMENT, dated December 20, 2006 between ARGENTINE REPUBLIC (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS the Borrower, having been satisfied as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested the Bank to assist in the financing of the Project; and

WHEREAS the Bank has agreed, on the basis, *inter alia*, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

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 for Fixed-Spread Loans” of the Bank dated September 1, 1999 (as amended through May 1, 2004), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) Section 5.08 of the General Conditions is amended to read as follows:

“Section 5.08. *Treatment of Taxes*

Except as otherwise provided in the Loan Agreement, the proceeds of the Loan may be withdrawn to pay for taxes (excluding the export tax and the financial transaction tax) levied by, or in the territory of, the Borrower on the goods or services to be financed under the Loan, or on their importation (with the exception of import tariffs above 28%), manufacture, procurement or supply. Financing of such taxes is subject to the Bank’s policy of requiring economy and efficiency in the use of the proceeds of its loans. To that end, if the Bank shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Loan is excessive or otherwise unreasonable, the Bank may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Loan Agreement as required to be consistent with such policy of the Bank.”

(b) “Section 6.03 (c) of the General Conditions is amended by replacing the words ‘corrupt or fraudulent’ with the words ‘corrupt, fraudulent, collusive or coercive’”.

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) “Dumpsite Subproject” means any of the activities to be carried out under Part B.2 of the Project;

(b) “Eligible Municipality” means a Municipality (as defined below), a group of Municipalities or a legal entity owned by a group of Municipalities, all of which are vested with the responsibility of providing urban solid waste services within one or more Provinces, and which meet the criteria, set forth in the Operational Manual (as defined below) for assisting the Borrower in the carrying out of any Subproject (as defined below) and the pertinent activity under Part C of the Project, all within the territorial boundaries of said municipality or group of municipalities (as the case may be);

(c) “Eligible Province” means a Province (as defined below) which is vested with the responsibility of providing urban solid waste services within its territorial jurisdiction, and which meets the eligibility criteria set forth in the Operational Manual (as defined below) for assisting the Borrower in the carrying out of any Subproject (as defined below) and the pertinent activity under Part C of the Project, all within said province’s jurisdiction;

(d) “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(e) “Municipality” means any of the political subdivisions of a Province (as defined below);

(f) “MUSWU” means any of the units (or any other unit with similar functions and responsibilities acceptable to the Bank) referred to in paragraph (e) (vii) (A) of Schedule 7 to this Agreement;

(g) “NUSWU” means the unit (or any other unit with similar functions and responsibilities acceptable to the Bank) referred to in Section 3.09 (a) of this Agreement;

(h) “Operational Manual” means the Borrower’s manual (acceptable to the Bank) dated January 30, 2006, referred to in Section 3.06 (a) of this Agreement, as the same may be amended from time to time with the agreement of the Bank;

(i) “Procurement Plan” means the Borrower’s procurement plan, dated December 16, 2005 covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 12 month periods (or longer) of Project implementation;

(j) “Province” means any of the Borrower’s political subdivisions as per title Two of the Borrower’s Constitution;

(k) “PUSWU” means any of the units (or any other unit with similar functions and responsibilities acceptable to the Bank) referred to in paragraph (c) (vii) (A) of Schedule 6 to this Agreement;

(l) “Resettlement” means the impact of an involuntary taking of land under the Project, which taking causes affected persons to have their: (i) standard of living adversely affected; or (ii) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently;

(m) “Sanitary Landfill Subproject” means any of the investments to be carried out under Part B.1 of the Project;

(n) “SAyDS” means *Secretaría de Ambiente y Desarrollo Sustentable*, the Secretariat of Environment and Sustainable Development within the Borrower’s Chief of Cabinet Office (*Jefatura de Gabinete de Ministros*);

(o) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement;

(p) “Subproject” means a Dumpsite Subproject and/or a Sanitary Landfill Subproject (as the case may be);

(q) “Subsidiary Agreement” means a Subsidiary Agreement I and/or a Subsidiary Agreement II (as the case may be);

(r) “Subsidiary Agreement I” means any of the agreements referred to in Section 3.04 (a) of this Agreement, as the same may be amended from time to time with the agreement of the Bank;

(s) “Subsidiary Agreement II” means any of the agreements referred to in Section 3.05 (a) of this Agreement, as the same may be amended from time to time with the agreement of the Bank; and

(t) “USWM Plans” means any of the Eligible Municipalities’ and/or Eligible Provinces’ (as defined above) urban solid waste management plans (as the case may be), acceptable to the Bank, referred to in Part A.1 of the Project, as the same may be amended from time to time with the agreement of the Bank.

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 this Agreement, an amount equal to forty million Dollars (\$40,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

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 for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Loan, the front-end fee referred to in Section 2.04 of this Agreement and any premium in respect of an Interest Rate Cap or Interest Rate Collar payable by the Borrower in accordance with Section 4.04 (c) of the General Conditions.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a separate special deposit account in *Banco de la Nación Argentina* on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2012 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 front-end fee in an amount equal to one percent (1%) of the amount of the Loan, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at a rate of three fourths of one per cent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time, subject to any waiver of a portion of such charge as may be determined by the Bank from time to time.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period at the Variable Rate; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and commitment charges shall be payable semiannually in arrears on June 15 and December 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.09. (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 all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Variable 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 said Variable 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 Section 2.01(7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar in respect of which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04(c) of the General Conditions up to the amount allocated from time to time for such purpose in the table in paragraph 1 of Schedule 1 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. The Borrower declares its commitment to the objective of the Project, and, to this end, shall carry out: (a) Part A of the Project, through the SAyDS, and with the assistance of the relevant Provinces and/or Municipalities; and (b) the Subprojects and Part C of the Project, through SAyDS, and with the assistance of the Eligible Provinces or the relevant Province or Provinces and Eligible Municipalities (pursuant to the terms of the pertinent Subsidiary Agreement), all with due diligence and efficiency and in conformity with appropriate administrative, financial, technical, social, engineering, solid waste management and environmental practices, and shall provide or cause to be provided (as the case may be), promptly as needed, the funds, facilities, services and other resources required for said Subprojects and Parts of the Project.

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than 12 months after the date of the preceding Procurement Plan, for the Bank's approval.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the future operation of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. (a) For purposes of carrying out one or more Subprojects and the pertinent activities under Part C of the Project in a given Eligible Province, the Borrower, through the SAyDS, shall enter into a subsidiary agreement (the Subsidiary Agreement I) with said Eligible Province under terms and conditions which shall have been approved by the Bank which shall, *inter alia*, include those set forth in Schedule 6 to this Agreement.

(b) (i) The Borrower shall exercise its rights and carry out its obligations under each Subsidiary Agreement I in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan; and (ii) except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, terminate, waive or fail to enforce any Subsidiary Agreement I or any provision thereof.

Section 3.05. (a) For purposes of carrying out one or more Subprojects and the pertinent activities under Part C of the Project in a given Eligible Municipality, the Borrower, through the SAyDS, shall, as required, enter into an agreement (the Subsidiary Agreement II) with the relevant Eligible Municipality and the pertinent Province or Provinces (which exercise political/territorial jurisdiction over any of said type of Eligible Municipalities), all under terms and conditions which shall have been approved by the Bank which shall, *inter alia*, include those set forth in Schedule 7 to this Agreement.

(b) (i) The Borrower shall exercise its rights and carry out its obligations under each Subsidiary Agreement II in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan; and (ii) except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, terminate, waive or fail to enforce any Subsidiary Agreement II or any provision thereof.

Section 3.06. (a) Without limitation upon the provisions of Section 3.01 of this Agreement, the Borrower, through the SAyDS, shall carry out the Project and/or cause the Project to be carried out in accordance with the provisions of a manual which shall include, *inter alia*: (i) the eligibility criteria for selecting Eligible Provinces (which criteria shall include, *inter alia*: (A) the adoption of a USWM Plan; (B) the basic principles to be included in the bill of law referred to in (C) (1) herein; (C) (1) the presentation to the relevant Eligible Province's legislative branch of a bill of law for urban solid waste management (which bill of law shall include the principles referred to in (B) herein) for approval thereby; and (2) the presentation to said Eligible Province's executive branch of draft regulations to said bill of law, all acceptable to the Bank; (D) evidence, acceptable to the Bank, of legal ownership or legal possession of the land in which Subprojects will be carried out; (E) evidence, acceptable to the Bank, that the pertinent Eligible Province is committed to obtain secured carbon financing; and (F) a financial management system, acceptable to the Bank, and the action plans to be followed by Eligible Provinces to strengthen their financial management capacity); (ii) the eligibility criteria for selecting Eligible Municipalities (which criteria shall include, *inter alia*: (A) the adoption of a USWM Plan; (B) the basic principles to be included in the municipal bill of law referred to in (C) (1) herein; (C) (1) the presentation to the pertinent Eligible Municipality's municipal council of a municipal bill of law for urban solid waste management (which bill of law shall include the principles referred to in (B) herein) for approval thereby; and (2) the presentation to said Eligible Municipality's executive branch of draft regulations to said bill of law, all acceptable to the Bank; (D) evidence, acceptable to the Bank, of legal ownership or legal possession of the land in which Subprojects will be carried out; (E) evidence, acceptable to the Bank, that the pertinent Eligible Municipality is committed to obtain secured carbon financing; (F) if applicable, the adoption of a financing mechanism, acceptable to the Bank, which enables the Eligible Municipality to operate and maintain the investments made under the pertinent Sanitary Landfill Subproject (or cause said investments to be operated and maintained as referred to in paragraph (e) (viii) of Schedule 7 to this Agreement); and (G) a financial management system, acceptable to the Bank, and the action plans to be followed by Eligible Municipalities to strengthen their financial management capacity); (iii) the criteria for approving Subprojects (including the screening criteria for site selection of Sanitary Landfill Subprojects); (iv) the functions and responsibilities of the NUSWU, PUSWUs and MUSWUs; (v) the terms of reference for preparing the semi-annual reports referred to in Section 3.10 (b) of this Agreement; (vi) the Project's chart of accounts, internal controls, and budgeting, accounting and financial reporting systems (including the format of interim and annual financial statements); (vii) the FMR formats; (viii) the terms of reference for carrying out the Project audits under Section 4.01 (b) (i) of this Agreement; (ix) the Project disbursement and procurement procedures; (x) the Project's standard bidding documents for Sanitary Landfill Subprojects (which shall include, *inter alia*, provisions: (A) to minimize natural habitat conversion or degradation and to permit the maximum growth of natural vegetation (whether it is native grasslands, scrublands, or forests) within the pertinent right of way in case a Sanitary Landfill Subproject includes the construction of access roads; and (B) whereby the contractor, the Eligible Province or the Eligible Municipality (as the case may be) must comply with the pertinent provisions of the corresponding environmental management plan, if applicable (as referred to in Section 3.07 of this Agreement)); (xi) the Project indicators; (xii) the environmental guidelines to be followed in the carrying out of the pertinent environmental assessment or environmental screening (as the case may be) referred to in Section 3.07 of this Agreement; and (xiii) the format of a Subsidiary Agreement.

(b) In case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

Section 3.07. Without limitation to the provisions of Section 3.01 of this Agreement, and upon approval by the Bank of:

(a) any Sanitary Landfill Subproject, the Borrower shall: (i) prior to the commencement of any works under the pertinent Sanitary Landfill Subproject, carry out and/or cause to be carried out (as the case may be) an environmental screening and/or an environmental assessment (as the case may be) of the pertinent works, and if determined by the Bank, approve an environmental management plan, acceptable to the Bank, for each said works (which plan shall be based on the results of the environmental screening and/or environmental assessment mentioned herein, and the Bank's comments on the results of said screening and/or assessment, if any), all in accordance with the provisions of the Operational Manual; and (ii) immediately after said approval, implement and/or cause to be implemented (as the case may be) the corresponding environmental management plan in accordance with its terms; and

(b) any Dumpsite Subproject, the Borrower shall, prior to the commencement of any works under the pertinent Dumpsite Subproject: (i) comply with the provisions of paragraph (a) herein with respect to said Dumpsite Subproject; (ii) if applicable, carry out the pertinent study referred to in Part A.3 (c) of the Project; and (iii) furnish to the Bank evidence, acceptable to the Bank: (A) that a sanitary landfill (which is processing or will process all the solid waste placed in the dumpsite that would be subject to closure or remediation under said Dumpsite Subproject) is being operated and maintained, in a manner acceptable to the Bank; and (B) that the pertinent social inclusion plan referred to in Part C.2 of the Project has been adopted by the pertinent Eligible Province or Eligible Municipality, and the same is being carried out in accordance with its terms as provided in Part C.3 of the Project, and in a manner acceptable to the Bank.

Section 3.08. The Borrower shall ensure, and cause each Eligible Province and Eligible Municipality to ensure, that any works to be carried out under any pertinent Subproject do not involve any Resettlement.

Section 3.09. (a) The Borrower shall operate and maintain, at all times during Project implementation, a national urban solid waste unit with a structure, functions and responsibilities acceptable to the Bank, including, *inter alia*, the responsibility to assist the Borrower in the implementation, monitoring, coordination and supervision of the Project.

(b) The Borrower shall ensure that the NUSWU is, at all times during Project implementation, headed by a Project general coordinator and assisted by professional staff (including, a social specialist, a solid waste specialist, a financial management specialist and a procurement specialist) and administrative staff, all in adequate numbers and with qualifications and experience acceptable to the Bank.

Section 3.10. The Borrower shall:

(a) maintain, and/or cause to be maintained (as applicable), policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in the Operational Manual, the carrying out of the Project and the achievement of the objective thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, not later than forty five days after the end of each calendar semester during Project implementation (starting with the report due in February 2007), a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the calendar semester preceding the date of presentation of said report (including detailed information concerning the status of procurement as of said date) and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective thereof during the following calendar semester; and

(c) review with the Bank and the Eligible Provinces and Eligible Municipalities (as the case may be) not later than April 15 of each year of Project implementation (starting in the year 2007), the pertinent reports referred to in paragraph (b) of this Section, and, thereafter, take and/or cause to be taken, as the case may be, all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of the said reports and the Bank's views on the matter.

Section 3.11. The Borrower shall, prior to the commencement of each calendar year during Project implementation, create, and thereafter maintain throughout each said calendar year of Project implementation, a specific budget line entry in the relevant annual budget in order to keep track of the corresponding expenditures incurred during Project implementation.

Section 3.12. The Borrower shall: (a) not later than three months after the Effective Date, establish (in a manner acceptable to the Bank) a procurement information system so as to, *inter alia*, reflect information concerning the Borrower's procurement processes; and (b) immediately thereafter, implement said system in a manner acceptable to the Bank.

Section 3.13. The Borrower shall: (a) prior to the commencement of the bidding process with respect to any Dumpsite Subproject, prepare and furnish to the Bank the Project's standard bidding documents for said type of subprojects, acceptable to the Bank (which bidding documents shall include, *inter alia*, a provision whereby the contractor, the Eligible Province or the Eligible Municipality (as the case may be) must comply with the pertinent provisions of the corresponding environmental management plan, if applicable (as referred to in Section 3.07 of this Agreement)); and (b) thereafter use said standard bidding documents in the procurement of works under any Dumpsite Subproject.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

- (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank), audited, in accordance with consistently applied auditing standards acceptable to the Bank, 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 (or such other period agreed to by the Bank): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Bank), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and
 - (iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may 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) retain, until at least one year after the Bank has received the audit report for, or covering, 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;
 - (ii) enable the Bank's representatives to examine such records; and
 - (iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Bank), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in Section 3.10 of this Agreement, the Borrower shall prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than 45 days after the end of the first calendar semester after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar semester; thereafter, each FMR shall be furnished to the Bank not later than 45 days after each subsequent calendar semester, and shall cover such calendar semester.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional events are specified, provided, however, that if the events specified in paragraphs (a) or (b) below shall have occurred and be continuing, the suspension of the Borrower's right to make withdrawals from the Loan Account may be limited by the Bank at the Bank's sole discretion to withdrawals in respect of all Subprojects (to be carried out in the jurisdiction of said Eligible Province or Eligible Municipality, as the case may be) for which a bidding process has not commenced at the time the Bank sent to the Borrower the notice referred to in Section 6.02 of the General Conditions:

(a) That any Eligible Province shall have failed to perform any of its obligations under the pertinent Subsidiary Agreement I.

(b) That any Province or Provinces (as the case may be) or any Eligible Municipality shall have failed to perform any of its obligations under the pertinent Subsidiary Agreement II.

(c) That as a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that any Eligible Province will be able to perform any of its obligations under the corresponding Subsidiary Agreement I.

(d) That as a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that any Province or Provinces (as the case may be) or any Eligible Municipality will be able to perform any of its obligations under the corresponding Subsidiary Agreement II.

Section 5.02. Pursuant to Section 7.01(k) of the General Conditions, the following additional event is specified, namely, that any of events specified in paragraphs (a) or (b) of Section 6.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower.

ARTICLE VI

Termination

Section 6.01. The date March 20, 2007 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Economy and Production of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministerio de Economía y Producción

Hipólito Yrigoyen 250

C1086AAB, Buenos Aires

Argentina

Cable address:

Telex:

Facsimile:

MINISTERIO DE ECONOMIA 121942-AR (5411) 4349-6239

Baires

With a copy to:

NUSWU

San Martin 451

4to. Piso

C1003AAO, Buenos Aires

Argentina

Facsímile: (5411) 4348-8624

For the Bank:

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)

(202) 477-6391

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 city of Buenos Aires, Argentina, as of the day and year first above written.

ARGENTINE REPUBLIC

By/s/ Felisa Miceli

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By/s/ Axel van Trotsenburg

Authorized Representative

SCHEDULE 1**Withdrawal of the Proceeds of the Loan**

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

| <u>Category</u> | <u>Loan Allocated (Expressed in Dollars)</u> | <u>Amount of the % of Expenditures to be financed</u> |
|---|--|---|
| (1) Part A of the Project |) | |
| |) | |
| (a) Consultants' services and Training for Parts A.1 through A.4 | 4,200,000) | 100% |
| |) | |
| (b) Consultants' services and Training for the NUSWU under Part A.5 of the Project | 600,000) | |
| (c) Goods | 100,000 | 100% (except as provided in Section 5.08 of the General Conditions) |
| (2) Part B of the Project | | |
| Works under Subprojects | 31,500,000 | up to 86% of the cost of the works as referred to in paragraphs (a) (i) of Schedules 6 and 7 to this Agreement |
| (3) Part C of the Project | | |
| (a) Consultants' services and Training | 1,200,000 | 100% |
| (b) Goods | 300,000 | 100% (except as provided in Section 5.08 of the General Conditions) |
| (4) Front-end fee | 100,000 | Amount due under Section 2.04 of this Agreement |

| Category | Amount of the Loan Allocated (Expressed in Dollars) | % of Expenditures to be financed |
|--|--|--|
| (5) Premia for Interest Rate Caps Interest Rate Collars | 0 | Amount due under Section and 2.09 (c) of this Agreement |
| (6) Unallocated | 2,000,000 | |
| TOTAL | <u>40,000,000</u> ===== | |

2. For the purposes of this Schedule, the term "Training" means expenditures (other than those for consultants' services) incurred by the Borrower, as approved by the Bank on the basis of an annual budget acceptable to the Bank, to finance reasonable transportation costs and per-diem of trainees and trainers (if applicable), training registration fees, and rental of training facilities and equipment under the Project.

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

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding \$8,000,000, may be made in respect of Categories (1) through (3) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures within one year before that date but after January 1, 2006, if the pertinent set of conditions referred to in paragraph (b) or (c) below, as the case may be, have been met and the Borrower and the relevant Eligible Province or Eligible Municipality (including the Province or Provinces which exercises political/territorial jurisdiction over any type of Eligible Municipality) are in compliance with the pertinent provisions of this Agreement;

(b) payments made to finance: (i) any Sanitary Landfill Subproject; and/or (ii) the carrying out of the related activities under Part C of the Project under the jurisdiction of a given Eligible Province or a given Eligible Municipality (as the case may be) under Categories (2) and (3) set forth in the table in paragraph 1 of this Schedule, unless:

- (i) the corresponding Subsidiary Agreement has been signed by all the respective parties thereto (as the case may be); and
- (ii) counsel, acceptable to the Bank, for the pertinent parties to the corresponding Subsidiary Agreement, has each furnished to the Bank an opinion or opinions, acceptable to the Bank, providing that: (A) the pertinent Subsidiary Agreement has been duly authorized or ratified by said parties, and is legally binding upon the same in accordance with the terms of said agreement; and

(c) payments made to finance any Dumpsite Subproject under the jurisdiction of a given Eligible Province or a given Eligible Municipality (as the case may be) under Category (2) set forth in the table in paragraph 1 of this Schedule, unless: (i) the pertinent conditions referred to in paragraph (b) (i) and (ii) above have been met; and (ii) the Borrower has complied with the provisions of Section 3.07 (b) of this Agreement, all in respect of the corresponding Dumpsite Subproject.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than \$350,000 equivalent per contract; (b) works costing less than \$3,000,000 equivalent per contract; (c) services of individual consultants under contracts costing less than \$200,000 equivalent per contract; (d) services of consulting firms under contracts costing less than \$500,000 equivalent per contract; and (e) Training set forth in Categories (1) (a) and (b) and (3) (a) of the table in paragraph 1 of this Schedule, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to improve public health and quality of life by reducing the exposure of the Borrower's population to pollutants and disease vectors from solid waste.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objective:

Part A: Policy and Institutional Strengthening

1. Provision of technical assistance to Provinces and Municipalities in the preparation of USWM Plans, which plans will consist of, *inter alia*, the provincial or municipal strategic planning and regionalization scheme for the carrying out of potential Subprojects.
2. Design and implementation of a training program on solid waste fundamentals and cost recovery mechanisms at the national, provincial and municipal levels.
3. Carrying out of the following technical activities: (a) design and implementation of a national recycling strategy; (b) design and implementation of waste minimization programs at the national, provincial and municipal levels; and (c) carrying out of technical studies on closure and/or remediation activities under Dumpsite Subprojects.
4. Design and implementation of a public communication program at the national, provincial and municipal levels for purposes of raising awareness in the population with respect to health and environmental problems linked to open dumping, the new role and responsibilities of households regarding solid waste management as a result of Project implementation, final disposal technical options and related costs, recycling, and waste minimization.
5. Strengthening of the Borrower's operational capacity to carry out, monitor and supervise the Project.

Part B: Construction of New Landfills and Closure of Open Dumpsites

1. Carrying out of sanitary landfill investments in Eligible Provinces and/or in Eligible Municipalities, which investments consist of, *inter alia*: (a) the design and construction of the first waste disposal cell of a new sanitary landfill (which waste disposal cell shall have a minimum operational life of 4 years); (b) if, applicable: (i) the construction of access roads to the new sanitary landfill; (ii) the construction of auxiliary and maintenance buildings and fencing; and (iii) the construction of waste transfer stations and the construction of waste sorting plants; and (c) any other necessary investment for the proper operation of said landfill, all as approved by the Bank.
2. Carrying out of the closure or remediation of open dumpsites (as the case may be) in Eligible Provinces and/or in Eligible Municipalities, all as approved by the Bank.

Part C: Social Inclusion

1. Carrying out of public consultations with stakeholders (in a manner acceptable to the Bank) as a preparatory stage for designing the social inclusion plans mentioned in Part C.2 of the Project.
2. Design of a social inclusion plan (acceptable to the Bank) in each Eligible Province and in each Eligible Municipality, which plan shall: (a) represent a substantive buy-in of the stakeholders mentioned in Part C.1 of the Project; (b) take into account the conclusions and recommendations of the public consultations mentioned in Part C.1 of the Project; and (c) consist of, *inter alia*: (i) the provision of training on social issues for the benefit of provincial/municipal institutions; and (ii) the provision of technical assistance and training to informal garbage collectors with respect to: (A) the establishment of micro-enterprises, cooperatives or any other type of legal association; (B) the commercialization of recycled materials; and (C) the adoption of improved occupational health and safety measures.
3. Implementation of each of the social inclusion plans referred to in Part C.2 of the Project, in accordance with a timetable acceptable to the Bank.

* * *

The Project is expected to be completed by December 31, 2011.

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 shall 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) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

| <u>Payment Date</u> | <u>Installment Share</u> <u>(Expressed as a %)</u> |
|---|---|
| On each June 15 and December 15 Beginning December 15, 2012 through June 15, 2016 | 11.11% |
| On December 15, 2016 | 11.12% |

2. If the proceeds of the Loan shall not 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 as follows:

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

(b) Any withdrawal made 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 shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts 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) Withdrawals made 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 3, if at any time the Bank shall adopt 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 principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be 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 said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said 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 principal amount of the Loan withdrawn and outstanding from time to time shall be 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**Procurement**Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. Without limitation to the provisions in paragraphs A and B of this Section, the following additional provisions shall also govern the procurement of goods, works and consultants' services under the Project (as the case may be):

(a) procurement of goods and works shall be carried out using standard bidding documents acceptable to the Bank;

(b) all contracts for works to be procured under the Project shall contain a methodology, acceptable to the Bank, whereby the price of each said contracts shall be adjusted through the use of price adjustment formulas, in a manner acceptable to the Bank;

(c) a two-envelope bidding procedure shall not be allowed in the procurement of goods and works;

(d) after the public opening of bids, information relating to the examination, clarification and evaluation of bids and proposals and recommendations concerning awards shall not be disclosed to bidders or consultants or other persons not officially concerned with this process until the publication of contract award (except as provided in paragraphs 2.20 and 2.27 of the Consultant Guidelines);

(e) bidders or consultants shall not, as a condition for submitting bids or proposals and/or for contract award: (i) be required to be registered in Argentina; (ii) have a representative in Argentina; and (iii) be associated or subcontract with Argentine suppliers, contractors or consultants;

(f) the invitations to bid, bidding documents, minutes of bid openings, requests for expressions of interest and the evaluation reports of bids and proposals of all goods, works and consultants' services, as the case may be, shall be published in the web page of the Borrower's Office of National Procurement (*Oficina Nacional de Contrataciones*);

(g) the provisions set forth in paragraphs 2.49, 2.50, 2.52, 2.53, 2.54 and 2.59 of the Procurement Guidelines shall also be applicable to contracts for goods and works to be procured under National Competitive Bidding procedures;

(h) references to bidders in one or more specialized magazines shall not be used by the Borrower in determining if the bidder whose bid has been determined to be the lowest evaluated bid has the capability and resources to effectively carry out the contract as offered in the bid, as referred to in the provision set forth in paragraph 2.58 of the Procurement Guidelines. The provision set forth in paragraph 2.58 of the Procurement Guidelines (including the limitation set forth herein) shall also be applicable to contracts for goods and works to be procured under National Competitive Bidding procedures; and

(i) the types of contracts described in Section IV of the Consultant Guidelines (including the important provisions to be included in said contracts) shall be the only types of contracts to be used by the Borrower in connection with the contracting of consultants' services provided by a firm and to be financed with the proceeds of the Loan.

D. The capitalized terms used in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods and Works

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower.

B. Other Procurement Procedures

1. National Competitive Bidding. (a) Goods estimated to cost less than \$350,000 equivalent per contract; and (b) works estimated to cost less than \$5,000,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding.

2. Shopping. (a) Goods estimated to cost less than \$100,000 equivalent per contract; and (b) works estimated to cost less than \$500,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$500,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Least-cost Selection. Services for assignments which the Bank agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.
2. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.
3. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.
4. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis, subject to prior approval of the Bank.

Section IV. Review by the Bank of Procurement Decisions

Except as the Bank shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Bank: (a) each contract for works estimated to cost the equivalent of \$3,000,000 or more; (b) the first two contracts for works to be procured on the basis of National Competitive Bidding and Shopping regardless of their cost; (c) the first two contracts for goods to be procured on the basis of National Competitive Bidding and Shopping; (d) each contract for consultants' services provided by a firm: (i) estimated to cost the equivalent of \$200,000 or more; or (ii) on the basis of Single-Source Selection; and (e) the first two contracts for consultants' services provided by a firm on the basis of Quality and Cost-Based Selection, Least Cost Selection and Selection Based on Consultants' Qualifications regardless of their cost. In addition, the record of justification referred to in paragraph 5 of Appendix 1 to the Consultant Guidelines for each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, or to be selected on a sole source basis, shall be subject to Prior Review by the Bank. All other contracts shall be subject to Post Review by the Bank.

SCHEDULE 5**Special Account**

1. For the purposes of this Schedule:
 - (a) the term “eligible Categories” means Categories (1) through (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement in respect of the Project;
 - (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
 - (c) the term “Authorized Allocation” means the amount of \$3,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.
2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
 - (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.
 - (b)
 - (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.
 - (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the

respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories for the Project, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions for the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories for the Project shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the respective Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the

Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 6**Terms and Conditions of Subsidiary Agreements I**

Each Subsidiary Agreement I shall contain, *inter alia*, the following provisions:

(a) the obligation of the Borrower to: (i) finance in part with the proceeds of the Loan the cost of the pertinent Subprojects (up to 86% of the total cost of the works under each Subproject) and activities under Part C of the Project; (ii) carry out said Subprojects and Project activities in accordance with the pertinent provisions of this Agreement; and (iii) provide the necessary counterpart funds for the carrying out of Subprojects in case the relevant Eligible Province shall have failed to comply with its counterpart fund obligations referred to in (c) (i) below;

(b) the right of the Borrower to take remedial actions against the pertinent Eligible Province in case said Eligible Province shall have failed to comply with any of its obligations under the pertinent Subsidiary Agreement I in respect of any Subproject (which actions may include, the right to set off the appropriate amount of co-participation funds corresponding to said Eligible Province under the pertinent federal legislation in those instances when said Eligible Province shall have failed to meet its counterpart funding obligations referred to in paragraph (c) (i) below); and

(c) the obligation of each Eligible Province:

- (i) to provide the counterpart funds, facilities, services and other resources, necessary or appropriate to enable the Borrower to carry out the corresponding Subproject;
- (ii) to assist the Borrower in the carrying out of the pertinent Subprojects and related activities referred to in Part C of the Project, all in accordance with the pertinent provisions of this Agreement;
- (iii) to comply with, or caused to be complied with, the obligations referred to in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of said Subprojects;
- (iv) to take or permit to be taken all action to enable the Borrower to comply with its obligations under Sections 3.01, 3.02, 3.04, 3.06, 3.07, 3.08, 3.10, 3.12, 3.13, 4.01 and 4.02 of this Agreement;
- (v) to participate in the reviews referred to in Section 3.10 (c) of this Agreement;

- (vi) not to assign, amend, terminate, abrogate, repeal, waive or fail to enforce the Subsidiary Agreement I or any provision thereof; and
- (vii) (A) to establish, and thereafter operate and maintain (or cause to be operated and maintained) at all times during Project implementation, a provincial urban solid waste unit (PUSWU), with a structure, functions and responsibilities acceptable to the Bank; and (B) to ensure that the PUSWU is, at all times during Project implementation, headed by a coordinator and assisted by professional staff (including a social specialist) and administrative staff, all in numbers and with qualifications and experience acceptable to the Bank; and
- (viii) to operate and maintain all the investments financed under a Sanitary Landfill Subproject (or cause said investments to be operated and maintained by an entity with technical qualifications and experience and selected in accordance with procurement procedures, all acceptable to the Bank), all in accordance with appropriate administrative, financial, technical, social, engineering, solid waste management and environmental practices, and to provide or cause to be provided (as the case may be), promptly as needed, the funds, facilities, services and other resources required for the proper operation and maintenance of said investments.

SCHEDULE 7**Terms and Conditions of Subsidiary Agreements II**

Each Subsidiary Agreement II shall contain, *inter alia*, the following provisions:

(a) the obligation of the Borrower to: (i) finance in part with the proceeds of the Loan the cost of the pertinent Subprojects (up to 86% of the total cost of the works under each Subproject) and activities under Part C of the Project; (ii) carry out said Subprojects and Project activities in accordance with the pertinent provisions of this Agreement; and (iii) provide the necessary counterpart funds for the carrying out of Subprojects in case the relevant Province or Provinces (which exercises political/territorial jurisdiction over the Eligible Municipality) shall have failed to comply with its counterpart fund obligations and/or failed to exercise its right to set off referred to in paragraphs (c) and (d) below, respectively;

(b) the right of the Borrower to take remedial actions against the pertinent Province or Provinces (referred to in (a) above) in case said Province or Provinces shall have failed to comply with any of its obligations under the pertinent Subsidiary Agreement II in respect of any Subproject (which actions may include, the right to set off the appropriate amount of co-participation funds corresponding to said Province or Provinces under the pertinent federal legislation in those instances when said Province or Provinces shall have failed to comply its obligations and/or failed to exercise the right to set off referred to in paragraphs (c) and (d) below, respectively);

(c) the obligation of the pertinent Province or Provinces (referred to in (a) above) to: (i) if applicable, provide the counterpart funds, facilities, services and other resources, necessary or appropriate to enable the Borrower to carry out the corresponding Subproject; and (ii) take all action necessary or appropriate to enable each Eligible Municipality to assist the Borrower in the carrying out of the corresponding Subproject, and pertinent activities referred to in Part C of the Project, and not to take or permit to be taken any action which would prevent or interfere with the carrying out of the same;

(d) the right of the pertinent Province or Provinces (referred to in (a) above) to take remedial actions against the pertinent Eligible Municipality in case said Eligible Municipality shall have failed to comply with any of its obligations under the pertinent Subsidiary Agreement II in respect of any Subproject (which actions may include, the right to set off the appropriate amount of co-participation funds corresponding to said Eligible Municipality under the pertinent provincial law in those instances when said Eligible Municipality has not complied with its obligation referred to in paragraph (e) (i) below); and

(e) the obligation of the Eligible Municipality:

(i) if applicable, to provide the counterpart funds, facilities, services and other resources, necessary or appropriate to enable the Borrower to carry out the corresponding Subproject;

- (ii) to assist the Borrower in the carrying out of the pertinent Subprojects and related activities referred to in Part C of the Project, all in accordance with the pertinent provisions of this Agreement;
- (iii) to comply with, or caused to be complied, the obligations referred to in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of said Subprojects;
- (iv) to take or permit to be taken all action to enable the Borrower to comply with its obligations under Sections 3.01, 3.02, 3.05, 3.06, 3.07, 3.08, 3.10, 3.12, 3.13, 4.01 and 4.02 of this Agreement;
- (v) to participate in the reviews referred to in Section 3.10 (c) of this Agreement;
- (vi) not to assign, amend, terminate, abrogate, repeal, waive or fail to enforce the Subsidiary Loan Agreement II or any provision thereof; and
- (vii) (A) to establish, and thereafter operate and maintain (or cause to be operated and maintained) at all times during Project implementation, a municipal urban solid waste unit (MUSWU), with a structure, functions and responsibilities acceptable to the Bank; and (B) to ensure that the MUSWU is, at all times during Project implementation, headed by a coordinator and assisted by professional staff (including a social specialist) and administrative staff, all in numbers and with qualifications and experience acceptable to the Bank; and
- (viii) to operate and maintain all the investments financed under a Sanitary Landfill Subproject (or cause said investments to be operated and maintained by an entity with technical qualifications and experience and selected in accordance with procurement procedures, all acceptable to the Bank), all in accordance with appropriate administrative, financial, technical, social, engineering, solid waste management and environmental practices and to provide or cause to be provided (as the case may be), promptly as needed, the funds (including, if applicable, the provision of funds in accordance with the cost financing mechanism referred to in Section 3.06 (a) (ii) (F) of this Agreement), facilities, services and other resources required for the proper operation and maintenance of said investments.