

**CONFORMED**

**LOAN NUMBER 7171-AR**

# **Loan Agreement**

**(Economic and Social Transition Structural Adjustment Loan)**

**between the**

**ARGENTINE REPUBLIC**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated May 23, 2003**

**LOAN NUMBER 7171 -AR**

**LOAN AGREEMENT**

AGREEMENT, dated May 23, 2003, between the ARGENTINE REPUBLIC (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received from the Borrower: (i) a letter, dated March 26, 2003, describing a program of actions, objectives and policies designed to achieve structural adjustment of the Borrower's economy, in particular in the fiscal, monetary, social protection and health sectors; and (ii) two letters, dated April 30, 2003, expanding the contents of the letter mentioned in (i) herein (hereinafter called collectively the Program), all declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during the execution thereof;

(B) the Borrower has carried out the measures and taken the actions described in Schedule 3 to this Agreement to the satisfaction of the Bank and has maintained a macroeconomic policy framework satisfactory to the Bank; 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 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 for Fixed-Spread Loans" of the Bank dated September 1, 1999, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 41, is modified to read:

“‘Project’ means the program, referred to in the Preamble to the Loan Agreement, in support of which the Loan is made.”;

(b) Section 3.08 is modified to read:

“Each withdrawal of an amount of the Loan from the Loan Account shall be made in the Loan Currency of such amount. If the Loan Currency is not the currency of the deposit account specified in Section 2.02 of the Loan Agreement, the Bank, at the request and acting as an agent of the Borrower, shall purchase with the Loan Currency withdrawn from the Loan Account the currency of such deposit account as shall be required to deposit the withdrawn amount into such deposit account.”

(c) Section 5.01 is modified to read:

“The Borrower shall be entitled to withdraw the proceeds of the Loan from the Loan Account in accordance with the provisions of the Loan Agreement and of these General Conditions.”;

(d) the last sentence of Section 5.03 is deleted;

(e) Section 9.07 (c) is 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

(f) Section 9.05 is deleted and Sections 9.06, 9.07 (as modified above), 9.08 and 9.09 are renumbered, respectively, Sections 9.05, 9.06, 9.07 and 9.08.

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) “Argentine *Pesos*” means the currency of the Borrower;

(b) “BCRA” means the *Banco Central de la República Argentina*, the Borrower’s central bank;

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

(d) “*Jefes de Hogar Program*” means the Borrower’s program established pursuant to Presidential Decree No. 565, dated April 3, 2002;

(e) “Lecops” means the quasi-money (*letras de cancelación de obligaciones provinciales*) issued by the Borrower pursuant to the Borrower’s Presidential Decree No. 1004/01 of August 9, 2001 (as said Decree has been amended to the date of this Agreement);

(f) “Province” means a political subdivision of the Borrower as per Title Two of the Borrower’s Constitution; and

(g) “SINTyS” means *Sistema de Identificación Nacional Tributario y Social*, the Borrower’s National Social and Taxpayer Identification System.

## 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 five hundred million Dollars (\$500,000,000), 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) Subject to the provisions of paragraphs (b) and (c) of this Section, the Borrower shall be entitled to withdraw the amount of \$495,000,000 from the Loan Account in support of the Program.

(b) The Borrower shall open, prior to furnishing to the Bank the first request for withdrawal from the Loan Account, and thereafter maintain in the BCRA, a deposit account in Dollars on terms and conditions satisfactory to the Bank. All withdrawals from the Loan Account shall be deposited by the Bank into the Deposit Account.

(c) The Borrower undertakes that the proceeds of the Loan shall not be used to finance expenditures excluded pursuant to the provisions of Schedule 1 to this Agreement. If the Bank shall have determined at any time that any proceeds of the Loan shall have been used to make a payment for an expenditure so excluded, the Borrower shall, promptly upon notice from the Bank: (i) deposit into the Deposit Account an amount equal to the amount of said payment, or (ii) if the Bank shall so request, refund such amount to the Bank. Amounts refunded to the Bank upon such request shall be credited to the Loan Account for cancellation.

Section 2.03. The Closing Date shall be August 29, 2003 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 fee in an amount equal to one percent (1%) of the amount of the Loan. 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 said fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (a) eighty five one-hundredths of one per cent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to but not including the fourth anniversary of such date; and (b) seventy five one-hundredths of one per cent (0.75%) per annum thereafter.

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 February 15 and August 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 2 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.

### **ARTICLE III**

#### **Particular Covenants**

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

(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.

(c) Without limitation upon the provisions of paragraph (a) of this Section, the Borrower shall exchange views with the Bank on any proposed action to be taken after the disbursement of the Loan which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program (including any action specified in Schedule 3 to this Agreement).

Section 3.02. Upon the Bank's request, the Borrower shall:

(a) have the Deposit Account audited in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(b) furnish to the Bank as soon as available, but in any case not later than four months after the date of the Bank's request for such audit, 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

(c) furnish to the Bank such other information concerning the Deposit Account and the audit thereof as the Bank shall have reasonably requested.

#### **ARTICLE IV**

##### **Additional Event of Suspension**

Section 4.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional events are specified:

(a) a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

(b) The Borrower's macroeconomic policy framework has become inconsistent with the objectives of the Program.

(c) An action has been taken or a policy has been adopted to reverse any action or policy under the Program in a manner that would, in the opinion of the Bank, adversely affect the achievement of the objectives of the Program.

(d) An action has been taken or a policy has been adopted to reverse any action listed in Schedule 3 to this Agreement.

#### **ARTICLE V**

##### **Termination**

Section 5.01. The date June 23, 2003 is hereby specified for the purposes of Section 12.04 of the General Conditions.

**ARTICLE VI**

**Representative of the Borrower; Addresses**

Section 6.01. The Minister of Economy 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 Economía  
Hipólito Yrigoyen 250, 5º piso  
1310 Buenos Aires  
Argentina

Cable address:	Telex:	Facsimile:
MINISTERIO ECONOMIA	121950AR	

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

ARGENTINE REPUBLIC

By /s/Roberto Lavagna

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/Axel van Trotsenburg

Acting Regional Vice President  
Latin America and the Caribbean

## SCHEDULE 1

### Excluded Expenditures

For purposes of Section 2.02 (c) of this Agreement, the proceeds of the Loan shall not be used to finance any of the following expenditures:

1. expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;
2. expenditures for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association shall have financed or agreed to finance, or which the Bank or the Association shall have financed or agreed to finance under another loan or a credit;
3. expenditures for goods included in the following groups or subgroups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

<u>Group</u>	<u>Subgroup</u>	<u>Description of Items</u>
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured, tobacco refuse
122	-	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	-	Radioactive and associated materials
667	-	Pearls, precious and semiprecious stones, unworked or worked

<u>Group</u>	<u>Subgroup</u>	<u>Description of Items</u>
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971	-	Gold, non-monetary (excluding gold ores and concentrates)

4. expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;

5. expenditures for environmentally hazardous goods (for purposes of this paragraph the term "environmentally hazardous goods" means goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party;

6. expenditures (a) in the territories of any country which is not a member of the Bank or for goods procured in, or services supplied from, such territories or (b) on account of any payment to persons or entities, or any import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

7. expenditures under a contract in respect of which the Bank determines that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Loan during the procurement or execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation.

## SCHEDULE 2

### 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>
August 15, 2006	2.72%
February 15, 2007	2.82%
August 15, 2007	2.91%
February 15, 2008	3.02%
August 15, 2008	3.12%
February 15, 2009	3.23%
August 15, 2009	3.34%
February 15, 2010	3.46%
August 15, 2010	3.58%
February 15, 2011	3.71%
August 15, 2011	3.84%
February 15, 2012	3.97%
August 15, 2012	4.11%
February 15, 2013	4.25%
August 15, 2013	4.40%
February 15, 2014	4.56%
August 15, 2014	4.72%
February 15, 2015	4.88%
August 15, 2015	5.05%
February 15, 2016	5.23%
August 15, 2016	5.41%
February 15, 2017	5.60%
August 15, 2017	5.80%
February 15, 2018	6.27%

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 3

#### Actions Referred to in Recital (B) of the Preamble to this Agreement

##### Fiscal and Monetary Sector Actions

1. (a) Provinces, whose public sector deficits in the aggregate represent at least eighty percent (80%) of the 2002 overall projected provincial public sector deficit (which deficit equaled to three billion Argentine *Pesos*), have signed a separate bilateral accord (*Convenio Bilateral*) with the Borrower for the year 2003 (within the framework provided by the Borrower's Decrees Nos. 2263/02 of November 8, 2002 and 297/03 of February 17, 2003 (*Programa de Financiamiento Ordenado de las Finanzas Provinciales*)), each said bilateral accord to include, *inter alia*, the obligation of:

- (i) the respective Province: (A) to reduce its provincial public sector deficit and attain the overall fiscal targets set forth in the respective bilateral accord; (B) not to issue any type of quasi-money (*cuasi moneda*); (C) to prepare and furnish to the Borrower periodic reports concerning the attainment of said targets; and (D) to enable the Borrower's representatives to examine records and accounts for purposes of monitoring compliance with the provisions of the corresponding bilateral accord; and
- (ii) the Borrower to exercise the remedies set forth therein in case the respective Province fails to comply with any of its obligations under the corresponding bilateral accord.

For purposes of this subparagraph:

"provincial public sector" means all components of the provincial public sector (except for parastatal enterprises and social security entities) for which funding is allocated as part of the annual consolidated provincial budgets approved by the Province's legislature; and

"deficit" means the amount by which total provincial public sector revenues (i.e., current revenues, which revenues are hereby defined to mean: (I) revenues from taxes; (II) non-tax revenues from the sale of goods and services and from property rentals; and (III) revenues from all federal revenue-sharing transfers, plus capital revenues, minus revenues obtained by the Province from privatizations and concessions of its assets) are less than total provincial public sector expenditures (i.e., current expenditures, which expenditures are defined to mean expenditures incurred for payment of personnel, expenditures incurred for the use of goods, facilities and services, expenditures incurred for interest on public sector debts and transfers for which there is no consideration (but

excluding severance payments made to personnel departing from the provincial public sector), plus capital expenditures, minus expenditures incurred by the Province with regard to privatizations and concessions of its assets).<sup>1</sup>

(b) The separate bilateral accords which have been entered into between the Borrower and the Provinces (within the framework mentioned in paragraph 1 (a) above) whose public sector deficits in the aggregate represent at least seventy five percent (75%) of the 2002 overall provincial public sector deficit mentioned in said paragraph, are in full force and effect.

2. The Borrower has issued: (a) Decree of Necessity and Urgency (*Decreto de Necesidad y Urgencia*) No. 743/03 of March 28, 2003 (duly published in the Borrower's Official Gazette on April 1, 2003), which Decree establishes the Program of Monetary Unification (*Programa de Unificación Monetaria*), which program provides for the redemption of quasi-monies issued by the following Provinces: Buenos Aires, Catamarca, Cordoba, Corrientes, Chaco, Entre Rios, Formosa, La Rioja, Mendoza and Tucumán; (b) Decree of Necessity and Urgency No. 957/03 of April 23, 2003 (duly published in the Borrower's Official Gazette on April 24, 2003), which Decree, *inter alia*, expands the program mentioned in paragraph 2 (a) herein by providing for the redemption of Lecops, and amends certain provisions of the Decree mentioned in paragraph 2 (a) herein to consolidate the implementation of said program; (c) Resolution No. 266 of April 9, 2003 (duly published in the Borrower's Official Gazette on April 11, 2003), which Resolution regulates, *inter alia*, the repayment terms of the debt that each Province mentioned in paragraph 2 (a) herein will incur with the Borrower as a result of the redemption of the particular quasi-money, and the auction mechanism to implement the program mentioned in paragraph 2(a) herein; and (d) regulations to the Decree mentioned in paragraph 2 (b) herein (which regulations have been duly published in the Borrower's Official Gazette).

3. The Borrower has furnished to its legislature a draft bill of law which, if enacted, would, *inter alia*: (a) authorize the Borrower to issue bonds in Argentine *Pesos* and exchange said bonds for Argentine *Pesos* to be issued by the BCRA within the framework of the program mentioned in paragraph 2 above; and (b) create an exception to Article 18 (a) of the organic law of the BCRA to accept the bonds mentioned in paragraph 3 (a) herein at their nominal value, and retain them on the BCRA books at such nominal value without fluctuation, in accordance with the terms set forth in said law.

4. The Province of Cordoba has: (a) issued Decree No. 763/03 of April 15, 2003, which Decree provides for the agreement of said Province to participate in the program mentioned in paragraph 2 (a) above; and (b) enacted law no. 9108 duly published in the Province's Official Gazette on April 22, 2003, which law, *inter alia*, ratifies the Decree mentioned in paragraph 4 (a) herein.

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<sup>1</sup> For purposes of this subparagraph (a), capital expenditures do not include amortization costs even though such costs are considered to be capital expenditures according to accounting principles commonly applied in the United States of America.

5. The Borrower has issued a Decree accepting the agreement of the Province mentioned in paragraph 4 above (which Decree has been duly published in the Borrower's Official Gazette).

6. The Province mentioned in paragraph 4 above has signed a separate bilateral accord as provided in paragraph 1 (a) above, and said bilateral accord is in full force and effect.

7. BCRA has publicly announced the carrying out of an auction (as provided by article 5 of the Decree mentioned in paragraph 2 (a) above (as said article 5 has been amended by the Decree mentioned in paragraph 2 (b) above)) in respect of the Province mentioned in paragraph 4 above for purposes of assisting the Borrower's Ministry of Economy to determine, at the conclusion of said auction, the prices at which the quasi-money issued by said Province would be redeemed.

8. The Borrower is implementing the redemption of Lecops within the framework of the program mentioned in paragraph 2 above, through: (a) the execution of an agreement with the BCRA in accordance with the regulations mentioned in paragraph 2 (d) above; and (b) the commencement of implementation of steps required for the redemption of Lecops.

#### **Social Protection Sector Actions**

9. The Borrower's legislature has approved for the calendar year 2003 an annual budget for its social assistance programs which represents 8.6% of total projected spending of the Borrower's approved national budget (*Cálculo de Recursos y Presupuesto de Gastos de la Administración Pública Nacional*) for said year.

10. The Borrower has: (a) carried out an impact evaluation study of the *Jefes de Hogar* Program; and (b) based on the findings of said impact evaluation study, prepared and furnished to the Bank an action plan (which plan includes the actions to be undertaken by the Borrower to address said findings in accordance with a time-table set forth therein).

11. The Borrower, through SINTyS, has carried out, for the period covered between November 2002 and April 2003 (both inclusive), monthly analyses of the registry of beneficiaries for the *Jefes de Hogar* Program to, *inter alia*, determine if said beneficiaries have met the eligibility criteria to participate in said program.

12. The Borrower, through the issuance of Decree No. 357/02 of February 21, 2002 (duly published in the Borrower's Official Gazette on February 22, 2002), has established the National Council for the Coordination of Social Policies (*Consejo Nacional para la Coordinación de Políticas Sociales*), which council is empowered to, *inter alia*: (a) coordinate all actions undertaken or to be undertaken by the Borrower's Ministries and

agencies involved in the social programs at the federal level; (b) monitor and evaluate said social programs; and (c) supervise the registry of beneficiaries of said social programs.

**Health Sector Action**

13. The Borrower's legislature has approved for the calendar year 2003 an annual budget for its health emergency programs which represents 1.4% of total projected spending of the Borrower's approved national budget (*Cálculo de Recursos y Presupuesto de Gastos de la Administración Pública Nacional*) for said year.

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