

CONFORMED COPY

LOAN NUMBER 2920 AR

(Municipal Development Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

PROVINCIA DE SANTA FE

Dated November 29, 1988

LOAN NUMBER 2920 AR

PROJECT AGREEMENT

AGREEMENT, dated November 29, 1988, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and PROVINCIA DE SANTA FE (Santa Fe).

WHEREAS (A) by the Loan Agreement of even date herewith between the Argentine Republic (the Borrower) and the Bank, the Bank has agreed to make available to the Borrower an amount in various currencies equivalent to one hundred twenty million dollars (\$120,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that Santa Fe agree to undertake such obligations toward the Bank as are set forth in this Agreement;

(B) by a subsidiary loan agreement to be entered into between the Borrower and Santa Fe, part of the proceeds of the loan provided for under the Loan Agreement will be made available to Santa Fe on the terms and conditions set forth in said Subsidiary Loan Agreement; and

WHEREAS Santa Fe, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth in this

Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Loan Agreement, the Preamble to this Agreement and the General Conditions (as so defined) have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Municipal Development Fund" means the Fund established by Santa Fe by Law No. 10264, dated November 22, 1988;

(b) "PEU" means the Project Executing Unit established by Santa Fe by Decree No. 187 dated December 28, 1987 and to be maintained for purposes of the execution of the Project pursuant to Section 2.02 of this Agreement; and

(c) "Project Operations Manual" means the manual of operating policies and procedures, satisfactory to the Bank, approved by Santa Fe by Law No. 10264, dated November 22, 1988 for purposes of the Project.

ARTICLE II

Execution of the Project

Section 2.01. (a) Santa Fe declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and public utility practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Bank and Santa Fe shall otherwise agree, Santa Fe shall select Eligible Municipalities and Eligible Sub-projects, enter into Sub-loan Agreements, procure and cause to be procured goods and services to be financed out of the proceeds of the Loan, maintain and cause to be maintained records and accounts and have such records and accounts audited, prepare and approve annual investment, technical and training programs and in general, carry out Project activities in accordance with this Agreement and the Project Operations Manual.

(c) The provisions of this Agreement shall prevail over the provisions of the Project Operations Manual.

(d) Santa Fe shall make Sub-loans to Eligible Municipalities to finance the execution of Eligible Sub-projects in terms and conditions satisfactory to the Bank, as set forth in the Project Operations Manual.

(e) Unless the Bank shall otherwise agree, Santa Fe shall not amend, abrogate, waive, fail to enforce or repeal the Project Operations Manual, the Sub-loan Agreements, or any provision thereof.

Section 2.02. (a) Santa Fe shall maintain the PEU for purposes of coordinating, supervising and participating in the execution of the Project with functions, responsibilities and staffing levels satisfactory to Santa Fe and the Bank, until the issuance of the final completion report referred to in Section 9.07 of the General Conditions and shall provide PEU with the staff, funds and other resources required for the timely and efficient carrying out of its functions and responsibilities.

(b) Unless the Bank shall otherwise agree, Santa Fe shall not amend, repeal or abrogate the Decree No. 187, dated December 28, 1987, that established PEU.

Section 2.03. (a) Not later than September 30 each year, Santa Fe, through PEU, shall prepare and furnish to the Bank for approval, a detailed annual investment program for the immediately following calendar year (the Annual Investment Program), such program to be of such scope and detail as the Bank shall reasonably request and to include municipal investment projects which meet the eligibility criteria set forth in the Project Operation Manual and provincial technical assistance and training programs eligible for financing under the Loan.

(b) If significant deficiencies in the carrying out of the Project at the provincial level or in the carrying out of Eligible Sub-projects or management of the municipal level are noted by the audit and management reports referred to in Article III of this Agreement or during the Bank's or PEU's supervision of the Project, Santa Fe, through PEU, shall: (i) include in the program referred to in paragraph (a) of this Section, one or more technical assistance plans to remedy such deficiencies, and (ii) condition the inclusion of investment plans by the affected Municipalities in the Annual Investment Program, to the acceptance and execution by such Municipalities of technical assistance activities designed by the PEU for these purposes.

Section 2.04. (a) Santa Fe shall maintain the Municipal Development Fund, and shall contribute, inter alia, into such Fund all the proceeds collected as principal, interest and other charges on Sub-loans (such proceeds hereinafter called the Loan Proceeds);

(b) Santa Fe shall manage the Loan Proceeds in accordance with appropriate financial and administrative practices, satisfactory to the Bank, and shall utilize such proceeds exclusively to: (i) make payments of principal, interest and other charges on the Subsidiary Loan, and (ii) finance municipal investments, including technical assistance and training programs, similar to those eligible for financing under the Project, such financing to be provided at interest rates which together with the adjustments applicable to the principal of such loans are positive in relation to the Inflation Index; and

(c) Santa Fe shall manage the Municipal Development Fund in accordance with appropriate financial and administrative practices.

Section 2.05. Santa Fe shall cause the Eligible Sub-projects to be carried out with due regard to ecological and environmental concerns, as provided in the Project Operations Manual.

Section 2.06. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan, shall be governed by the provisions of Schedule 6 to the Loan Agreement.

Section 2.07. Santa Fe shall carry out the obligations set forth 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 the Project Agreement.

Section 2.08. Santa Fe shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Bank shall otherwise agree, Santa Fe shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Loan Agreement or any provision thereof.

Section 2.09. (a) Santa Fe shall, at the request of the Bank, exchange views with the Bank with regard to the progress of the Project, the performance of its obligations under this Agreement and under the Subsidiary Loan Agreement, and other matters relating to the purposes of the Loan.

(b) Santa Fe shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Loan, or the performance by Santa Fe of its obligations under this Agreement and under the Subsidiary Loan Agreement.

ARTICLE III

Other Covenants

Section 3.01. (a) Santa Fe shall maintain and cause to be maintained separate records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of PEU, the Municipalities and other agencies or departments of Santa Fe responsible for the carrying out of the Project or any part thereof.

(b) Santa Fe shall:

(i) have the records and accounts referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with

appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

- (ii) furnish to the Bank as soon as available, but in any case not later than four months after the end of such fiscal year the report of such audit by said auditors of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records and accounts as well as the audit thereof, as the Bank shall from time to time reasonably request.

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

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

Section 3.02. (a) Without limitation to the provisions of Section 3.01 of this Agreement, Santa Fe shall cause the auditors referred to in paragraph (b) (i) of such Section to issue: (i) every six months a performance report, of such scope and detail as the Bank shall reasonably request, regarding the compliance by the Municipalities and Santa Fe and its Agencies and Departments responsible for the carrying out of the Project (including PEU) with the provisions of this Agreement, and the Project Operations Manual, the Subsidiary Loan Agreement and the Sub-loan Agreements; and (ii) jointly with the report referred to in Section 3.01 (b) (ii) of this Agreement, a report on the accounts and financial situation of the Municipal Development Fund.

(b) Santa Fe shall furnish to the Bank: (i) as soon as available, but in any event not later than 60 days from the date they are issued, copies of the reports referred to in paragraph (a) of this Section; and (ii) such other information concerning such reports as the Bank shall from time to time reasonably request.

ARTICLE IV

Effective Date; Termination; Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective, if Santa Fe is among the Provinces referred to in paragraph (a) of Section 6.01 of the Loan Agreement, or on the date on which the Bank dispatches notice to Santa Fe of its acceptance of the evidence referred to in paragraph 3 of Schedule 1 to the Loan Agreement.

Section 4.02. This Agreement and all obligations of the Bank and of Santa Fe thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify Santa Fe thereof.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE V

Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

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

For Provincia de Santa Fe:

Ministerio de Hacienda y Finanzas
Centro Civico
3000 Santa Fe
Republica Argentina

Telex:

(390) 381-44

Section 5.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of Santa Fe may be taken or executed by the Governor of Santa Fe or such other person or persons as the Governor of Santa Fe shall designate in writing, and Santa Fe shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Shahid Husain

Regional Vice President
Latin America and the Caribbean

PROVINCIA DE SANTA FE

By /s/ Elva Roulet

Authorized Representative

