

CONFORMED COPY

LOAN NUMBER 2805 AR

AGP Project Agreement
(Bahia Blanca I Port Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

ADMINISTRACION GENERAL DE PUERTOS

Dated February 25, 1988

LOAN NUMBER 2805 AR

PROJECT AGREEMENT

AGREEMENT, dated February 25, 1988, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and ADMINISTRACION GENERAL DE PUERTOS (AGP).

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 fifty million dollars (\$50,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that AGP 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 AGP, the proceeds of the loan required for carrying out Part B of the Project will be made available to AGP on the terms and conditions set forth in said Subsidiary Loan Agreement;. and

WHEREAS AGP, 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.

ARTICLE II

Execution of the Project

Section 2.01. AGP 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 Part B of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and ports practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for such Part of the Project.

Section 2.02. Except as the Bank shall otherwise agree, procurement of the works and consultants' services required for Part B of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 5 to the Loan Agreement.

Section 2.03. AGP 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 this Project Agreement and Part B of the Project.

Section 2.04. AGP shall duly perform all its obligations under the AGP Subsidiary Loan Agreement. Except as the Bank shall otherwise agree, AGP shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the AGP Subsidiary Loan Agreement or any provision thereof.

Section 2.05. (a) AGP shall, at the request of the Bank, exchange views with the Bank with regard to the progress of Part B of the Project, the performance of its obligations under this Agreement and under the AGP Subsidiary Loan Agreement, and other matters relating to the purposes of the Loan.

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

Section 2.06. AGP shall, as part of Part B of the Project:

(a) hire consultants to assist in the implementation of Part B (ii) of the Project not later than December 31, 1988;

(b) not later than December 31, 1989, put into effect a cost accounting system satisfactory to the Bank;

(c) not later than June 30, 1990, develop the cost-based tariff structure included in Part B (ii) of the Project in a manner satisfactory to the Bank;

(d) not later than December 31, 1990 prepare a plan of action satisfactory to the Bank for the implementation of such tariff structure which shall take into account the obligations of AGP set forth in Section 4.04 of this Agreement; and

(e) start to implement such plan of action not later than June 30, 1991.

ARTICLE III

Management and Operations of AGP

Section 3.01. AGP shall carry on its operations and conduct its affairs in accordance with sound administrative, financial, engineering and ports practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

ARTICLE IV

Financial Covenants

Section 4.01. (a) AGP shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition including separate accounts and records for the resources and expenditures in respect of Part B of the Project.

(b) AGP shall:

- (i) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of its financial statements for such year as so audited, and (B) 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 accounts and financial statements as well as the audit thereof and said records, as the Bank shall from time to time reasonably request.

(c) For all expenditures for Part B of the Project with respect to which withdrawals are requested from the Loan Account on the basis of statements of expenditure, AGP shall:

- (i) maintain, in accordance with paragraph (a) of this Section, separate records and accounts reflecting such expenditures;
- (ii) retain, until one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such separate accounts are included in the annual audits referred to in paragraph (b) of this Section and that the report thereof contains, in respect of such separate accounts, a separate opinion by the said auditors as to whether the proceeds of the Loan withdrawn in respect of such expenditures have been used for the purpose for which they were provided.

Section 4.02. AGP shall: (a) prepare its annual investment program on the basis of economic criteria and evaluation methods satisfactory to the Bank; (b) furnish to the Bank for comments not later than December 31 of each year, starting on December 31, 1988, AGP's proposed investment program for the following year; (c) exchange views with the Bank on each such investment program; and (d) refrain from carrying out any investment project estimated to cost more than the equivalent of \$10,000,000, unless the Bank shall have been given a reasonable opportunity to express its views on any such investment project or on the methods utilized for, and the results of, its evaluation.

Section 4.03. AGP shall: (a) not later than December 31, 1989, carry out a revaluation of its assets in accordance with methods and criteria satisfactory to the Bank; and (b) incorporate the results of such revaluation of assets in its books as of January 1, 1991.

Section 4.04. (a) Except as the Bank shall otherwise agree, AGP shall maintain: (i) for each of the following fiscal years a ratio of total working expenses to total operating revenues not higher than 0.85 in 1987, 0.83 in 1988, 0.82 in 1989 and 0.80 in 1990; (ii) for its fiscal year ending on December 31, 1991 and the three subsequent fiscal years, a ratio of total working expenses to total operating revenues not higher than 0.84 and ratio of total operating expenses to total operating revenues not higher than 1.23. Thereafter, AGP's total operating revenues shall equal at least its total operating expenses plus interest and other charges on debt.

(b) Before September 30 in each of its fiscal years, AGP shall, on the basis of forecasts prepared by AGP and satisfactory to the Bank, ascertain whether it would meet the requirements set forth in paragraph (a) in respect of such year and the next following fiscal year, and shall furnish to the Bank the results of such review upon its completion.

(c) If any such review shows that AGP would not meet the requirements set forth in paragraph (a) for AGP's fiscal years covered by such review, AGP shall promptly take all necessary measures (including, without limitation, adjustments of the structure or levels of its tariff rates) in order to meet such requirements.

(d) For the purposes of this Section:

(i) The term "total working expenses" means all expenses related to operations, including administration, adequate maintenance and maintenance dredging, but excluding taxes and payments in lieu of taxes and interest and other charges on debt.

(ii) The term "total operating expenses" means all expenses related to operations, including administration, adequate maintenance, maintenance dredging, and provision for depreciation of AGP's fixed assets in operation on the basis of depreciation methods and accounting principles acceptable to the Bank, but excluding interest and other charges on debt, and taxes and payments in lieu of taxes.

(iii) The term "total operating revenues" means revenues from all sources related to operations.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 5.02. This Agreement and all obligations of the Bank and of AGP thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify AGP thereof.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. 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 AGP:

Administracion General de Puertos
Av. Julio A. Roca 734-90 Piso
Buenos Aires
Argentina

Telex:

AGEPUER
012-1879

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of AGP may be taken or executed by the Administrador General de Puertos or such other person or persons as AGP shall designate in writing, and AGP shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. 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/ S. Shahid Husain

Regional Vice President
Latin America and the Caribbean

ADMINISTRACION GENERAL DE PUERTOS

By /s/ Jose Manuel Pedregal

Authorized Representative

