

CONFORMED COPY

LOAN NUMBER 7706-AR

Loan Agreement

(Matanza-Riachuelo Basin Sustainable Development Project)

between

ARGENTINE REPUBLIC

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated August 25, 2009

LOAN NUMBER 7706-AR

LOAN AGREEMENT

Agreement dated August 25, 2009, between ARGENTINE REPUBLIC (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of eight hundred forty million Dollars (\$840,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.
- 2.05. The Payment Dates are March 15 and September 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 3 to this Agreement.

- 2.07. (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 withdrawn and outstanding 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 the 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 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 for 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 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III — PROJECT

- 3.01. (a) The Borrower declares its commitment to the objectives of the Project and the Program. To this end, the Borrower, through SAyDS, shall: (i) cause AySA to carry out Part 1 of the Project pursuant to the provisions of the AySA Agreement; and (ii) carry out Parts 2, 3 and 4 of the Project, all in accordance with the provisions of Article V of the General Conditions, and as provided in paragraph (b) below.
- (b) Without limitation to the provisions of paragraph (a) of this Section, the Borrower, through SAyDS, shall cause ACUMAR to participate in the carrying out of the Project in accordance with the terms of the ACUMAR Resolution, which terms shall include those set forth in Schedule 5 to this Agreement.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower, through SAyDS, shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Events of Suspension consist of the following:

- (a) AySA shall have failed to comply with any of its obligations under the AySA Agreement.
- (b) The ACUMAR Resolution shall have been amended, suspended, abrogated, repealed, waived or not enforced, in such a manner so as to affect materially and adversely, in the opinion of the Bank, the ability of ACUMAR to participate in the carrying out of the Project, as the terms of said participation are described in said resolution.
- (c) The Borrower shall have failed to honor any of its commitments set forth in the Program.
- (d) The Borrower and/or AySA shall have failed to comply with any of their pertinent obligations under the AySA Concession Contract, in such a manner so as to affect materially and adversely, in the opinion of the Bank, the ability of AySA to: (i) carry out the works under Part 1 of the Project; and (ii) operate and maintain each of said works with due diligence and efficiency.
- (e) The AySA Concession Contract or any provision thereof shall have been amended, suspended, abrogated, repealed, waived and/or terminated, in such a manner so as to affect materially and adversely, in the opinion of the Bank, the ability of AySA to: (i) carry out the works under Part 1 of the Project; and (ii) operate and maintain each of said works with due diligence and efficiency.
- (f) The Regulatory Framework or any provision thereof shall have been amended, suspended, abrogated, repealed, waived or not enforced, in such a manner so as to affect materially and adversely, in the opinion of the Bank, the ability of AySA to: (i) carry out the works under Part 1 of the Project; and (ii) operate and maintain each of said works with due diligence and efficiency.

4.02. The Additional Events of Acceleration consist of the following:

- (a) Any event specified in paragraphs (a) or (c) or (d) or (e) of Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Bank to the Borrower.
- (b) Any event specified in paragraph (b) or (f) Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

- (a) The AySA Agreement has been signed by the parties thereto, and said agreement is in full force and effect.
- (b) The ACUMAR Resolution has been issued, published in the Borrower's official gazette (*Boletín Oficial*), and said resolution is in full force and effect.

- (c) The AySA Concession Contract has been signed, and said contract is in full force and effect.
 - (d) The Borrower, through SAyDS, has adopted the Operational Manual.
 - (e) The Borrower, through SAyDS, has established the UEP.
- 5.02. The Additional Legal Matters consist of the following:
- (a) The AySA Agreement has been duly authorized or ratified by the Borrower and AySA, and is legally effective and binding upon the Borrower and AySA in accordance with its terms.
 - (b) The AySA Concession Contract has been duly authorized or ratified by the Borrower and AySA, and said AySA Concession Contract complies with the Regulatory Framework, and is legally effective and binding upon the Borrower and AySA in accordance with its terms.
- 5.03. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Bank's approval of the Loan which expire on December 9, 2010.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower's Representative is its Minister of Economy and Public Finance.
- 6.02. The Borrower's Address is:

Ministerio de Economía y Finanzas Públicas
Hipólito Yrigoyen 250
C1086 AAB, Buenos Aires
Argentina

Cable:

Telex:

Facsimile:

MINISTERIO
DE ECONOMIA
Baires

121942-AR

(5411) 4349-8815

With a copy to:

Secretaría de Ambiente y Desarrollo Sustentable
San Martín 451
1004, Buenos Aires
Argentina

6.03. The Bank's Address is:

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

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| Cable address: | Telex: | Facsimile: |
| INTBAFRAD Washington, D.C. | 248423(MCI) or 64145(MCI) | 1-202-477-6391 |

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

ARGENTINE REPUBLIC

By /s/ Amado Boudou
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Pedro Alba
Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are to: (a) improve sewerage services in the M-R River Basin, and other parts of the PBA and the CBA by expanding transport and treatment capacity; (b) support a reduction of industrial discharges to the M-R River, through the provision of CRI Grants; (c) promote improved decision-making for environmentally-sustainable land use and drainage planning, and to pilot urban drainage and land use investments, in the M-R River Basin; and (d) strengthen ACUMAR's institutional framework for the ongoing and sustainable clean-up of the M-R River Basin.

The Project constitutes the first phase of the Program, and consists of the following parts:

Part 1: Sanitation

- (a) Carrying out of investments in sanitation infrastructure within the Concession Area, as approved by the Bank, which consist of: (i) the construction of the left bank collector (*colector margen izquierda*) of the M-R River of about 12 kilometers in length; (ii) the construction of the Baja Costanera bypass collector which will connect the left bank collector mentioned in (i) herein with the Riachuelo preliminary treatment plant mentioned in (iii) herein; (iii) the construction of the Riachuelo preliminary treatment plant, including the construction of the inflow and outflow pumping stations; (iv) the construction of the Riachuelo outfall; (v) the construction of the industrial collector on the right bank of the M-R River, including the construction of its pumping station; (vi) the construction of the right bank collector (*colector margen derecha*) of the M-R River of about 37 kilometers in length or of a Bank-approved alternative therefor; and (vii) the carrying out of minor complementary works.
- (b) Carrying out of: (i) independent technical supervision of the works under Part 1 (a) (i) through (vi) of the Project based on a request for proposals, acceptable to the Bank, as provided in the Consultant Guidelines; and (ii) the following activities: (A) data collection, analyses and modeling in support of the engineering designs for the works under Part 1 (a) of the Project; and (B) capacity development activities in support of the preparation of the engineering designs of the works under Part 1 (a) (vi) of the Project.

Part 2: Industrial Pollution Abatement

- (a) (i) Carrying out of: (A) pollution diagnostics (which diagnostics shall take into account, *inter alia*, the baseline data and information produced by the geographic information system mentioned in Part 3 (b) below); and (B) an analysis of possible social impacts of industrial conversion within the M-R River Basin; (ii) design of a framework to establish appropriate effluent loads for industries located within the M-R River Basin; and (iii) carrying out of samplings of water consumption and flow discharge of industrial effluents into the M-R River to support the carrying out of the diagnostics mentioned in (i) herein.

- (b) Improvement of the current system for monitoring industrial wastes, through, *inter alia*: (i) the acquisition and utilization of equipment for laboratories to be selected in accordance with criteria set forth in the Operational Manual; (ii) if needed, the provision of training to the staff of the laboratories mentioned in (i) herein, and to ACUMAR's staff, all on the use of the equipment mentioned in (i) herein; and (iii) the carrying out of annual technical audits (under terms of reference acceptable to the Bank) to monitor compliance of the PRIs.
- (c) Improvement of the current strategy for industrial discharges based on the results of the pollution diagnostics mentioned in Part 2 (a) (i) (A) above, which strategy shall be in line with the framework mentioned in Part 2 (a) (ii) above.
- (d) Design and implementation of a program of corporate environmental responsibility (which program shall include, *inter alia*, an environmental disclosure program) for purposes of, *inter alia*, disclosing information to the public concerning compliance with existing PRIs.
- (e) Provision of CRI Grants to finance investments in environmentally sound production processes, which investments are included in the pertinent PRI.

Part 3: Environmental Territorial Management

- (a) Development of a regional planning system for the M-R River Basin, through, *inter alia*: (i) the carrying out of a review and update of the recommendations set forth in the territorial development study (carried out for ACUMAR) dated October 2007, so as to design the appropriate technical tools to carry out discussions and build consensus on priority issues and programs related to sustainable development among key stakeholders in the M-R River Basin; (ii) the carrying out of workshops with key stakeholders on priority issues and programs related to sustainable development in the M-R River Basin; and (iii) the carrying out of selected studies on the priority issues referred to in (ii) herein as approved by the Bank.
- (b) Design and implementation of a geographic information system to support ACUMAR's planning and decision-making capacity, and to serve as a tool for monitoring the sustainable development of the M-R River Basin.
- (c) Design and implementation of a flood control system for the M-R River Basin.
- (d) Update of the hydrological master plan for the M-R River Basin dated March 1995, through, *inter alia*, the carrying out of studies to update information on hydrological sub-systems and determine flood risk levels and mapping, all under terms of reference acceptable to the Bank.
- (e) Strengthening of the meteorological and hydrological alert system for the M-R River Basin, so as to obtain, *inter alia*, real-time emergency management information, rainfall flooding forecast and flood warning information, water flows information of the M-R River and of the exceptionally high tides in the Rio

de la Plata from strong southeasterly winds (*sudestadas*), and information on precipitation quantity forecasts and hail forecasts.

- (f) (i) Design of contingency flood emergency plans, which plans shall include, *inter alia*, implementation modalities and simulation exercises involving the provincial and municipal agencies, and local communities, all located within the M-R River Basin; (ii) development of communication programs to provide timely information to local communities on forecasted flood events; and (iii) design of environmental programs and management plans for potential flood prevention investments, and thereafter, carry out public information campaigns to disseminate the information contained in said programs and/or plans.
- (g) Carrying out of investments on: (i) basic infrastructure to improve urban infrastructure in low-income urban areas, which investments consist of, *inter alia*, the expansion of water and sanitation secondary networks, and the connection of said networks to the primary existing pertinent water and sanitation network, the construction of micro-drainage systems, including the construction of the section of the macro drainage systems required to operate the micro-drainage systems, and the construction of secondary streets and recreational areas; and (ii) flood control, which investments consists of the construction of drainage systems, in areas to be selected by ACUMAR in accordance with criteria acceptable to the Bank.

Part 4: Institutional Strengthening and Project Management

- (a) Strengthening of ACUMAR's institutional and operational capacity so as to carry out its functions and responsibilities under the Project, through, *inter alia*: (i) the design and implementation of an institutional/operational strengthening plan (which plan shall include, *inter alia*, actions to improve said capacity); (ii) the improvement/rehabilitation of its offices, or the construction or rental of office space for ACUMAR (as approved by the Bank); and (iii) the provision of technical assistance to develop capacity, and the acquisition and utilization of equipment required therefor.
- (b) Design and implementation of a communication strategy to inform Project stakeholders about the contents of the Project.
- (c) Establishment of a public information office in ACUMAR, including the provision of technical assistance to develop capacity, and the acquisition and utilization of goods required therefor.
- (d) (i) Carrying out of the following activities: (A) analytical work and additional modeling, and gathering data collection, all relating to the water quality monitoring of the M-R River and the Rio de la Plata; (B) a study on groundwater for gaining knowledge on control of the high level of the groundwater table in the M-R River Basin; and (C) any other study, acceptable to the Bank, for the clean-up of the M-R River Basin; and (ii) establishment of an independent panel of individual experts (under terms of reference acceptable to the Bank) to provide periodic advice in connection with the carrying out of the Project.

- (e) Strengthening of the operational capacity of the UEP and of the UCOFI to assist the Borrower, through SAyDS, to comply with its overall Project management and fiduciary responsibilities, through, *inter alia*, the improvement of the UEP's and UCOFI's office space (as approved by the Bank), the provision of technical assistance and training, and the acquisition and utilization of the goods required therefor.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements and Other Arrangements

- A. The Borrower, through SAyDS, shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.
- B. (a) Without limitation to the provisions of Section 3.01 of this Agreement, the Borrower, through SAyDS, shall: (i) cause AySA to carry out Part 1 of the Project in accordance with the provisions of the Project Environmental Management Plan, the AySA Environmental Management Plan, and the Operational Manual; (ii) carry out Parts 2 and 3 of the Project in accordance with the provisions of the Project Environmental Management Plan, the Environmental Management Framework for Part 2 of the Project, the Environmental Management Framework for Part 3 of the Project, and the Operational Manual; and (iii) carry out Part 4 of the Project in accordance with the provisions of the Operational Manual.
- (b) Without limitation to the provisions of paragraph (a) of this Section, the Borrower, through SAyDS, shall cause ACUMAR to participate in the carrying out of the Project in accordance with the provisions of the Project Environmental Management Plan, the AySA Environmental Management Plan, the Environmental Management Framework for Part 2 of the Project, the Environmental Management Framework for Part 3 of the Project and/or the Operational Manual (as the case may be).
- (c) In case of any conflict among the terms of the Project Environmental Management Plan, the AySA Environmental Management Plan, the Environmental Management Framework for Part 2 of the Project, the Environmental Management Framework for Part 3 of the Project, the Operational Manual, and those of this Agreement, the terms of this Agreement shall prevail.
- C. (a) For purposes of carrying out Part 1 of the Project, the Borrower, through SAyDS, shall make available, on a grant basis, a portion of the proceeds of the Loan allocated to Categories (1) and (2) (the AySA Grant) to AySA under a subsidiary agreement (the AySA Agreement) to be entered into between the Borrower, through SAyDS, and AySA under terms and conditions which shall have been approved by the Bank which shall include, *inter alia*, those set forth in Schedule 4 to this Agreement.
- (b) (i) The Borrower, through SAyDS, shall exercise its rights and carry out its obligations under the AySA Agreement 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, through SAyDS, shall not assign, amend, abrogate, terminate, waive or fail to enforce the AySA Agreement or any provision thereof.

- D.** (a) Without limitation to the provisions of Section 3.01 (a) (i) of this Agreement, the Borrower, through SAyDS, shall cause AySA to: (i) prior to the construction of the right bank collector (*colector margen derecha*) mentioned under Part 1 (a) (vi) of the Project, and in no case later than March 31, 2010: carry out a pre-feasibility study on alternatives to the construction of said right bank collector, with a scope acceptable to the Bank (which scope shall provide for said pre-feasibility study to consider how wastewater flows from the middle upper basin of the M-R River, as well as how it flows from the Concession Area, how such flows will be kept from discharging into the M-R River, or otherwise how these flows would be suitably treated); (ii) not later than one hundred twenty days after the conclusion of said study, jointly review with SAyDS and ACUMAR the recommendations of the study mentioned in (i) herein; (iii) immediately after the review mentioned in (ii) herein has been concluded, furnish to the Bank, for approval thereof, any written recommendations made by SAyDS and ACUMAR with respect to an alternative solution to replace the works under Part 1 (a) (vi) of the Project, as appropriate; and (iv) if applicable, replace the works under Part 1 (a) (vi) of the Project with the alternative solution mentioned in (iii) herein.
- (b) Without limitation to the provisions of paragraph (a) above, the Borrower, through SAyDS, shall cause AySA to: (i) prior to the construction of each of: (A) the industrial collector (including its pumping station) mentioned in Part 1 (a) (v) of the Project; and (B) the right bank collector (*colector margen derecha*) mentioned under Part 1 (a) (vi) of the Project, or to the construction of a suitable alternative approved by the Bank as mentioned in said paragraph (a) above, carry out a separate site environmental impact assessment (under terms of reference acceptable to the Bank) for the relevant works; (ii) approve, and/or cause to be approved, an environmental management plan or similar environmental instrument, acceptable to the Bank, for the relevant works (which plan or similar environmental instrument shall be based on the results of the environmental assessment mentioned herein, and the Bank's comments on the results of said assessment, if any); and (iii) immediately after said approval, implement and/or cause to be implemented (as the case may be) the corresponding environmental management plan (or similar environmental instrument) in accordance with its terms.
- E.** The Borrower, through SAyDS, shall cause AySA to, prior to the commencement of any works under Part 1 (a) (i) through (vi) of the Project, hire one or more firms (with qualifications and experience, and under terms of reference, all acceptable to the Bank) to enable AySA to carry out Part 1 (b) (i) of the Project.
- F.** (a) The Borrower, through SAyDS, shall ensure, and cause AySA and/or ACUMAR to ensure, that any works/activities to be carried out under Parts 1 (a), 2 (a) through (d), 3 (a) through (f), and 4 of the Project do not involve Resettlement.
- (b) Without limitation to the provisions of paragraph (a) of this Section, and in the event that during the construction of the complex works to be carried out under Part 1 (a) of the Project an event occurs which will cause Resettlement, the Borrower, through SAyDS shall: (i) immediately upon the occurrence of each said event, and prior to the continuation of said works, cause AySA to prepare and present to the Bank a resettlement plan, acceptable to the Bank, which plan shall be consistent with the provisions of the Resettlement Policy Framework, and shall contain, *inter alia*, the actions to be carried out by the Borrower,

through SAyDS and/or by causing AySA to carry them to address and/or mitigate (as the case may be) any social, technical and/or environmental impact resulting from the occurrence of each such event, and the Borrower's commitment to provide the necessary funds and other resources to carry out said resettlement plan; and (ii) thereafter implement, and/or cause AySA to implement, said resettlement plan in accordance with its terms.

- G.** Without limitation to the provisions of Section 3.01 (a) (i) of this Agreement and Section I.C of this Schedule, the Borrower, through SAyDS, shall cause AySA to: (a) during twelve consecutive months, collect and evaluate with due diligence and efficiency, the hydro-metereological data needed for the design and monitoring of the works under Part 1 (a) (iv) of the Project, provided, however, that the construction contract for said works may be signed after AySA shall have collected and evaluated said type of data for a period of not less than six consecutive months; and (b) immediately after the completion of the twelve months period mentioned in paragraph (a) herein, disclose to the public the results of the collected and evaluated data mentioned in said paragraph.
- H.** Without limitation to the provisions of Section 3.01 (a) (i) of this Agreement, and Section 5.11 of the General Conditions, and given that the cost of the construction works of the Berazategui treatment plant will be included as part of the Borrower's counterpart funds under the second phase of the Program, the Borrower, through SAyDS, shall: (a) cause AYSA to not later than six (6) months after the Effective Date, prepare and furnish to the Bank an environmental management plan, acceptable to the Bank, which plan shall be based on the results of site specific environmental impact assessment for said plant, dated July 2007 (as approved by the Borrower's municipality of Berazategui (*Intendencia Municipal de Berazategui*), through municipal Decree No. 0042 (*Decreto No. 0042*) dated January 14, 2009); (b) thereafter, cause AySA to carry out the environmental management plan mentioned in (a) herein in accordance with its terms; and (c) afford, and cause AYSA to afford, all reasonable opportunity for representatives of the Bank to visit, at any time during the construction/operation of the Berazategui preliminary treatment plant, the site in which said plant is being constructed (including, *inter alia*, the installations, equipment, records and documents relevant to the construction and operation of said plant), for purposes of ensuring that AySA is carrying out and/or has carried out the construction of said plant as provided in paragraph (b) of this Section.
- I.** (a) The Borrower, through SAyDS, shall: (i) establish, and thereafter operate and maintain, at all times during Project implementation, a Project executing unit (the UEP); and (ii) operate and maintain, at all times during Project implementation, the UCOFI, all with a structure, functions and responsibilities acceptable to the Bank, as set forth in the Operational Manual.
- (b) The Borrower, through SAyDS, shall ensure that: (i) the UEP is, at all times during Project implementation, headed by a Project coordinator, and assisted by professional and administrative staff; and (ii) the UCOFI is, at all times during Project implementation, headed by a Project coordinator, and assisted by professional staff (including, *inter alia*, a procurement specialist, and a financial management specialist) and administrative staff, all in numbers and with terms of reference, and qualifications and experience, acceptable to the Bank.

- J.** (a) The Borrower, through SAyDS, shall cause AySA to: (i) not later than three months after the Effective Date, establish a coordination unit (the AySA CU), with a structure, functions and responsibilities, acceptable to the Bank, as set forth in the Operational Manual; and (ii) thereafter, operate and maintain, at all times during Project implementation, the AySA CU.
- (b) The Borrower, through SAyDS, shall cause AySA to ensure that the AySA CU is, at all times during Project implementation, headed by a Project coordinator and assisted by professional staff (including a financial management specialist, a procurement specialist, and an environmental specialist, as well as any other technical specialist as selected by AySA) and administrative staff.
- K.** (a) Upon approval of any given CRI Subproject by the SAyDS, the Borrower, through SAyDS, shall make available a portion of the proceeds of the Loan, on a grant basis (the CRI Grant), to the relevant Eligible Beneficiary pursuant to the terms of an agreement (the CRI Subproject Agreement) to be entered into between the Borrower, through SAyDS and the relevant Eligible Beneficiary, on terms and conditions acceptable to the Bank, which terms shall have been approved by the Bank, and shall include, *inter alia*, those set forth in Schedule 6 to this Agreement.
- (b) (i) The Borrower, through SAyDS, shall exercise its rights and carry out its obligations under each CRI Subproject Agreement 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, through SAyDS, shall not assign, amend, abrogate, terminate, waive or fail to enforce any CRI Subproject Agreement or any provision thereof.
- L.** (a) Upon approval of any given Infrastructure Subproject by ACUMAR, and, prior to the carrying out of any given Infrastructure Subproject which falls under the territorial and/or administrative jurisdiction of an Eligible Entity, the Borrower, through SAyDS, shall, and shall cause ACUMAR to, enter into a joint agreement (the Infrastructure Implementation Agreement) with the relevant Eligible Entity on terms and conditions acceptable to the Bank, which terms shall have been approved by the Bank, and shall include, *inter alia*, those set forth in Schedule 7 to this Agreement.
- (b) (i) The Borrower, through SAyDS, shall exercise its rights and carry out its obligations under each Infrastructure Implementation Agreement 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, through SAyDS, shall not assign, amend, abrogate, terminate, waive or fail to enforce any Infrastructure Implementation Agreement or any provision thereof.

- M.** Without limitation to the provisions of Section I.K (a) and I.L (a) of this Schedule, and prior to the carrying out of any given CRI Subproject and/or any given Infrastructure Subproject, the Borrower, through SAyDS, shall: (a) carry out and/or cause to be carried out an environmental/social screening and/or an environmental/social assessment (as the case may be) of the pertinent works/activities; (b) if determined by the Bank, approve, and/or cause said Eligible Beneficiary and/or Eligible Entity to approve, an environmental/social management plan or similar environmental/social instrument, acceptable to the Bank, for each said work/activity (which plan or similar environmental/social instrument shall be based on the results of the environmental/social screening and/or environmental/social 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 Project Environmental Management Plan, the Environmental Management Framework for Part 2 of the Project and/or the Environmental Management Framework for Part 3 of the Project (as the case may be); and (c) immediately after said approval, implement and/or cause to be implemented (as the case may be) the corresponding environmental/social management plan (or similar environmental/social instrument) in accordance with its terms.
- N.** If, as a result of the definition of the zone of impact in respect of any given CRI Subproject or any given Infrastructure Subproject (involving the carrying out of works) and/or of the carrying out of the pertinent environmental/social screening and/or environmental/social assessment (as mentioned in Section I.M of this Schedule), it is determined by the Bank that Resettlement will be involved in respect of any given CRI Subproject or any given Infrastructure Subproject (involving the carrying out of works), and prior to the carrying out of any works under the corresponding CRI Subproject or Infrastructure Subproject, the Borrower, through SAyDS, shall: (a) prepare and/or cause to be prepared, and furnish to the Bank, a resettlement plan (acceptable to the Bank) for each said CRI Subproject or each Infrastructure Subproject (which plan shall be consistent with the provisions of the Resettlement Policy Framework, and include the Borrower's commitment to provide the necessary funds and other resources to carry out said resettlement plan); and (b) immediately thereafter implement and/or cause to be implemented each resettlement plan in accordance with its terms.
- O.** The Borrower, through SAyDS, 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.
- P.** The Borrower, through SAyDS, shall cause ACUMAR to, not later than six months after the Effective Date, establish, and thereafter operate and maintain, at all times during Project implementation, a web page, which shall contain, *inter alia*, information for resolving claims/concerns related to Project implementation.
- Q.** The Borrower, through SAyDS, shall, not later than six months after the Effective Date, establish the structure, functions and responsibilities of the panel mentioned in Part 4 (d) (ii) of the Project as provided therein, including the identification of the specialists to become members of said panel.

- R.** Without limitation to the provisions of Section I.F of this Schedule, and prior to the initiation of any of the works under Part 4 (a) (ii) and (e) of the Project, the Borrower, through SAyDS, shall: (a) carry out and/or cause to be carried out an environmental screening and/or an environmental assessment (as the case may be) of the pertinent works; (b) if determined by the Bank, approve, and/or cause to be approved, an environmental management plan or similar environmental instrument, acceptable to the Bank, for each said works (which plan or similar environmental instrument 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); and (c) immediately after said approval, implement and/or cause to be implemented (as the case may be) the corresponding environmental management plan (or similar environmental instrument) in accordance with its terms.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower, through SAYDS, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators set forth in the Operational Manual. Each Project Report shall cover the period of one calendar semester (starting with the calendar semester in which the Effective Date falls), and shall be furnished to the Bank not later than forty five calendar days after the end of the period covered by such report.
2. For purposes of Section 5.08 (b) of the General Conditions, the Borrower, through SAYDS, shall, not later than June 30, 2013 exchange views with the Bank, AySA, and ACUMAR (the mid-term review) on the execution of the Project, and the pertinent Project Reports covering the last two calendar semesters preceding the date of said mid-term review.
3. For purposes of Section 5.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than six months before the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Borrower, through SAYDS, shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation to the provisions of Part A of this Section, the Borrower, through SAYDS, shall cause AySA to, not later than thirty calendar days after the end of each calendar semester (starting with the calendar semester in which the Effective Date falls), prepare and furnish to SAYDS interim unaudited financial reports for Part 1 of the Project covering each calendar semester, in form and substance satisfactory to the Bank, so that the same may be included by SAYDS in the Project Reports mentioned in Section II.A.1 of this Schedule.
3. Without limitation to the provisions of Part A of this Section, the Borrower, through SAYDS, shall: (a) not later than forty five calendar days after the end of each calendar semester (starting with the calendar semester in which the Effective Date falls), prepare the interim unaudited financial reports for the Project; and (b) thereafter, as part of the Project Reports mentioned in Section II.A.1 of this Schedule, furnish to the Bank the interim unaudited financial reports mentioned in (a) herein, all covering each calendar semester, in form and substance satisfactory to the Bank.
4. (a) The Borrower, through SAYDS, shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions in respect of the Project. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. Said audited Financial Statements for

each such period shall be furnished to the Bank not later than six months after the end of such period.

- (b) The Borrower, through SAYDS, shall cause AySA to have its financial statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of AySA's financial statements shall cover the period of one fiscal year of AySA. Said audited financial statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

Section III. Procurement

A. General

1. **Goods, Works and Non-Consultant Services.** All goods, works and Non-Consultant Services required for the Project and to be financed out of the proceeds of the Loan shall be procured, and/or caused to be procured, in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured, and/or caused to be procured, in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.
4. **Special Provisions.** Without limitation to the other provisions in Section III.A of this Schedule, the following additional provisions shall also govern the procurement of goods, works, Non-Consultant Services and consultants' services under the Project (as the case may be):
 - (a) procurement of goods, works, Non-Consultant Services and consultants' services (in respect of firms) shall be carried out using: (i) standard bidding documents (which bidding documents in respect of works shall include, if applicable, a provision whereby the pertinent contractor must comply with the pertinent provisions of: (A) the Project Environmental Management Plan; (B) the AySA Environmental Management Plan; and/or (C) the corresponding environmental/social management plan or similar environmental/social instrument referred to in Section I.M of Schedule 2 to this Agreement in respect of the relevant CRI Subproject or Infrastructure Subproject) and standard requests for quotations/proposals (as the case may be), all acceptable to the Bank, which shall all include, *inter alia*, a settlement of dispute provision; (ii) model bid evaluation forms, and model quotations/proposals evaluation forms (as the case may be); and (iii) model contract forms, all 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) without limitation to the provisions of paragraph 2.8 of the Procurement Guidelines, and in cases in which contracts for large or complex works (as determined by the Bank) are involved, prospective bidders and/or bidders (as the case may be) shall be given: (i) at least 8 weeks for the preparation and submission of prequalification responses; and (ii) at least 12 weeks for the preparation and submission of their bids;
- (d) a two-envelope bidding procedure shall not be allowed in the procurement of goods, works and Non-Consultant Services;
- (e) after the public opening of bids for goods, works and Non-Consultant Services, information relating to the examination, clarification and evaluation of bids and recommendations concerning awards, shall not be disclosed to bidders or other persons not officially concerned with this process until the publication of contract award. In addition, bidders and/or other persons not officially concerned with said process shall not be allowed to review or make copies of other bidders' bids;
- (f) after the public opening of consultants' proposals, information relating to the examination, clarification and evaluation of proposals and recommendations concerning awards, shall not be disclosed to 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). In addition, consultants and/or other persons not officially concerned with said process shall not be allowed to review or make copies of other consultants' proposals;
- (g) 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;
- (h) the invitations to bid, bidding documents, minutes of bid openings, requests for expressions of interest and the pertinent summary of the evaluation reports of bids and proposals of all goods, works, Non-Consultant Services and consultants' services procured by the Borrower, through SAyDS, and/or by AySA (as the case may be) shall be published in the web page of the Borrower's Office of National Procurement (*Oficina Nacional de Contrataciones*), and in a manner acceptable to the Bank. The bidding period shall be counted from the date of publication of the invitation to bid or the date of the availability of the bidding documents, whichever is later, to the date of bid opening;

- (i) 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, works and Non-Consultant Services to be procured under National Competitive Bidding procedures;
- (j) references to bidders in one or more specialized magazines shall not be used by the Borrower, through SAyDS, and/or by AySA (as the case may be) in determining if the bidder in respect of goods 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 to be procured under National Competitive Bidding procedures;
- (k) witness prices shall not be used as a parameter for bid evaluation, bid rejection or contract award;
- (l) the Borrower, through SAyDS, shall: (i) supply the SEPA with the information contained in the initial Procurement Plan within 30 days after the Project has been approved by the Bank; and (ii) update the Procurement Plan at least every three months, or as required by the Bank, to reflect the actual project implementation needs and progress and shall supply the SEPA with the information contained in the updated Procurement Plan immediately thereafter;
- (m) 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 in respect of contracts for goods to be procured under International Competitive Bidding procedures;
- (n) compliance by bidders with the norms issued by ISO with respect to any given good procured under the Project shall not be used as parameter for contract award;
- (o) consultants shall not be required to submit bid or performance securities;
- (p) contracts of goods, works and Non-Consultant Services shall not be awarded to the “most convenient” bid, but rather to the bidder whose bid has been determined: (i) to be substantially responsive; and (ii) to offer the lowest evaluated bid, provided that said bidder has demonstrated to the Borrower, through SAyDS, and/or AySA (as the case may be) to be qualified to perform the contract satisfactorily; and
- (q) the types of contracts described in Section IV of the Consultant Guidelines shall be the only types of contracts to be used by the Borrower, through SAyDS, and/or by AySA (as the case may be) in connection with the contracting of

consultants' services provided by a firm and to be financed with the proceeds of the Loan.

B. Particular Methods of Procurement of Goods, Works and Non-Consultant Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and Non-Consultant Services shall be procured under contracts awarded on the basis of International Competitive Bidding procedures.
2. **Other Methods of Procurement of Goods, Works and Non-Consultant Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and Non-Consultant Services. The Procurement Plan shall specify the circumstances under which such methods may be used.

| Procurement Method |
|----------------------------------|
| (a) National Competitive Bidding |
| (b) Shopping |
| (c) Direct Contracting |

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

| Procurement Method |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (a) Least-Cost Based Selection |
| (b) Quality-Based Selection |
| (c) Selection Based on the Consultants' Qualifications |
| (d) Single Source Selection |
| (e) Selection under a Fixed Budget |
| (f) Procedures set forth in paragraphs 5.2 through 5.4 of the Consultant Guidelines for the Selection of Individual Consultants |
| (g) Sole Source Procedures for the Selection of Individual Consultants set forth in paragraph 5.4 of the Consultant Guidelines for the Selection of Individual Consultants |

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower, through SAyDS (with the assistance of UCOFI) may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions (the Disbursement Letter) as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

| Category | Amount of the Loan Allocated (expressed in USD) | Percentage of Expenditures to be financed (inclusive of Taxes) |
|-------------------------------------------------------------------------------|--------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (1) Works under Part 1 (a) of the Project | 600,000,000 | 80% of each Eligible Expenditure incurred by AySA until disbursements under this Category have reached an aggregate amount of \$400, 000,000; and 40% of each Eligible Expenditure incurred by AySA thereafter |
| (2) Consultants’ services, goods and Training under Part 1 (b) of the Project | 30,000,000 | 100% |
| (3) Works, goods and/or consultants’ services under CRI Subprojects | 40,000,000 | 100% of the amounts disbursed under the relevant CRI Grant |
| (4) Eligible Expenditures for Parts 2 (a) through (d) and 3 of the Project | 55,000,000 | 80% |
| (5) Eligible Expenditures for Part 4 of the Project | 14,000,000 | 100% |
| (6) Unallocated | 98,900,000 | |
| (7) Front-end Fee | 2,100,000 | Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions |
| (8) Premia for Interest Rate Caps and Interest Collars | 0 | Amounts payable pursuant to Section 2.07 (c) of this Agreement |
| TOTAL AMOUNT | 840,000,000 | |

For purposes of this paragraph:

- (a) the term “Training” means expenditures (other than those for consultants’ services) incurred by AySA, 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, training materials, and rental of training facilities and equipment under Part 1(b) of the Project;
- (b) “Eligible Expenditures for Parts 2 (a) through (d) and 3 of the Project” means (without limitation to the definition of Eligible Expenditure set forth in paragraph 36 of the General Conditions) any expenditure for goods, works, consultants services, Non-Consultant Services, and/or Training under said Parts of the Project (as the case may be). For purpose of this definition, the term ‘Training’ means expenditures (other than those for consultants’ services) incurred by the Borrower, through SAyDS, and/or by ACUMAR (in connection with its participation in the carrying out of said Parts of the Project), 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, training materials and rental of training facilities and equipment under said Parts of the Project; and
- (c) “Eligible Expenditures for Part 4 of the Project” means (without limitation to the definition of Eligible Expenditure set forth in paragraph 36 of the General Conditions) any expenditure for goods, works, consultants services, Non-Consultant Services, Training and/or Operating Costs under said Part of the Project (as the case may be). For purpose of this definition, the term: (a) ‘Operating Costs’ means reasonable recurrent expenditures, based on an annual budget previously approved by the Bank, that would not have been incurred by the Borrower, through SAyDS, and/or by ACUMAR (in connection with its participation in the carrying out of said Part of the Project) absent the Project, for Project administration costs (including office rent), operation and maintenance of office equipment, non-durable goods and salaries for civil servants assigned to carry out administrative (e.g. secretarial) responsibilities under said Part of the Project (but excluding any other type of civil servant salaries); and (b) ‘Training’ means expenditures (other than those for consultants’ services) incurred by the Borrower, through SAyDS, and/ or by ACUMAR (in connection with its participation in the carrying out of said Part of the Project), 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, training materials and rental of training facilities and equipment under said Part of the Project.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

- (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$6,000,000 equivalent may be made for payments made prior to this date but on or after September 1, 2008 (but in no case more than one year prior to the date of this Agreement) for Eligible Expenditures for Categories (1) through (5), if the pertinent obligations set forth in this Agreement, as applicable to each Eligible Expenditure have been complied with; and
 - (b) for payments made to finance any CRI Grant under Category (3), unless the pertinent CRI Subproject Agreement has been signed by the parties thereto.
2. The Closing Date is March 31, 2016.

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 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) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

| Principal Payment Date | Installment Share (Expressed as a Percentage) |
|---------------------------------------------------------------------------------------------|----------------------------------------------------------|
| On each March 15 and September 15 Beginning September 15, 2014 through March 15, 2039 | 2% |

2. If the proceeds of the Loan have not 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 have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
 - (b) Any amount withdrawn 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 is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable 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) Amounts of the Loan withdrawn 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, if at any time the Bank adopts a due date billing system under which invoices are issued

on or after the respective Principal Payment Date, the provisions of such subparagraph 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 Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is 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 the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the 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 Withdrawn Loan Balance is 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

Terms and Conditions of the AySA Agreement

The AySA Agreement shall contain, *inter alia*, the following provisions:

- (a) the obligation of the Borrower, through SAyDS:
 - (i) to promptly disburse to AySA the proceeds of the AySA Grant with due diligence and efficiency; and
 - (ii) to comply with its obligations referred to in the Loan Agreement, as applicable to Part 1 of the Project, including the obligation referred to in Section I.A of Schedule 2 to the Loan Agreement;
- (b) the right of the Borrower, through SAyDS, to take remedial actions against AySA in case AySA shall have failed to comply with any of its obligations under the AySA Agreement (which actions may include, *inter alia*, the partial or total suspension and/or cancellation of the proceeds of the AySA Grant (as the case may be));
- (c) the obligation of AySA to:
 - (i) carry out Part 1 of the Project with due diligence and efficiency, and in conformity with appropriate administrative, technical, financial, economic, environmental and social standards and practices, and in accordance with the provisions of the Loan Agreement;
 - (ii) use the AySA Grant for the financing of Part 1 of the Project as provided in the Loan Agreement;
 - (iii) provide the counterpart funds, facilities, services and other resources, necessary or appropriate to carry out Part 1 of the Project;
 - (iv) ensure that Part 1 of the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines (by, for example, allowing Bank inspection and audit rights under paragraph 9 (d) of the Anti-Corruption Guidelines);
 - (v) not to assign, amend, terminate, abrogate, repeal, waive or fail to enforce the AySA Agreement or any provision thereof, unless previously agreed by the Bank;

- (vi) (A) maintain, at all times during Project implementation, a financial management system in accordance with the provisions of Section 5.09 (a) of the General Conditions; and (B) have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly thereafter furnish said statements as so audited to the Borrower and the Bank, all as provided in Section II.B of Schedule 2 to the Loan Agreement;
- (vii) if applicable, to comply, or caused to be complied, with the obligations referred to in Sections 5.04, 5.05, 5.06, 5.07 and 5.10 of the General Conditions (relating to insurance, land acquisition, use of goods, works and services, and operation and maintenance of facilities, plans, documents and records, cooperation and consultation and visits, respectively) in respect of Part 1 of the Project; and
- (viii) take or permit to be taken all action to enable: (A) the Borrower, through SAyDS, to comply with its obligations referred to in the Loan Agreement, as applicable to the carrying out of Part 1 of the Project; and (B) ACUMAR to comply with the pertinent provisions of the ACUMAR Resolution, as applicable to the carrying out of Part 1 of the Project.

SCHEDULE 5

Terms of the ACUMAR Resolution

The ACUMAR Resolution shall contain, *inter alia*, the following provisions:

The commitment of ACUMAR to:

- (a) participate in the carrying out of Part 1 of the Project, which participation shall consist of approving: (i) the timing in which the works under Part 1 (a) of the Project will be carried out; and (ii) any change to the design of said works that would impact the quality and quantity of water discharges to the M-R River;
- (b) participate in the carrying out of Parts 2, 3 and 4 (a) through (d) of the Project, which participation shall consist of: (i) providing technical advice and approval in connection with the procurement process under Parts 2, 3 and 4 (a) through (d) of the Project; (ii) selecting the Infrastructure Subprojects in accordance with the criteria set forth in the Operational Manual, and co-signing the pertinent Infrastructure Implementation Agreement; and (iv) monitoring compliance of the carrying out of CRI Subprojects and Infrastructure Subprojects; and
- (c) take or permit to be taken all action to enable the Borrower, through SAyDS, to comply with its obligations referred to in this Agreement, as applicable to the participation of ACUMAR in the carrying out of the Project.

SCHEDULE 6

Terms and Conditions of CRI Subproject Agreements

Each CRI Subproject Agreement shall contain, *inter alia*, the following provisions:

- (a) the obligation of the Borrower, through SAYDS, to:
 - (i) promptly make available to each Eligible Beneficiary the proceeds of the corresponding CRI Grant with due diligence and efficiency, and upon written request of the Eligible Beneficiary, to make direct payments, out the proceeds of the pertinent CRI Grant, to the contractors, suppliers and/or consultants (either firms or individuals), as the case may be; and
 - (ii) to comply with its obligations referred to in the Loan Agreement, as applicable to the pertinent CRI Subproject, including the obligation referred to in Section I.A of Schedule 2 to the Loan Agreement;
- (b) the right of the Borrower, through SAYDS, to take remedial actions against the pertinent Eligible Beneficiary in case said Eligible Beneficiary shall have failed to comply with any of its obligations under the pertinent CRI Subproject Agreement in respect of any CRI Subproject (which actions may include, *inter alia*, the partial or total suspension and/or cancellation of the proceeds of the CRI Grant (as the case may be)); and
- (c) the obligation of each Eligible Beneficiary:
 - (i) to use the CRI Grant for financing the carrying out of the pertinent CRI Subproject;
 - (ii) to provide the funds (in accordance with the formula set forth in the Operational Manual), facilities, services and other resources, necessary or appropriate to carry out the corresponding CRI Subproject;
 - (iii) carry out the CRI Subproject with due diligence and efficiency, and in conformity with appropriate administrative, technical, financial, economic, environmental and social standards and practices, and in accordance with the provisions of the Loan Agreement;
 - (iv) to ensure that the pertinent CRI Subproject is carried out in accordance with the provisions of the Anti-Corruption Guidelines (by, for example, allowing Bank inspection and audit rights under paragraph 9 (d) of the Anti-Corruption Guidelines);

- (v) if applicable, to comply, or caused to be complied, with the obligations referred to in Sections 5.04, 5.05, 5.06, 5.07 and 5.10 of the General Conditions (relating to insurance, land acquisition, use of goods, works and services, operation and maintenance of facilities, plans, documents and records, cooperation and consultation and visits, respectively) in respect of the pertinent CRI Subproject;
- (vi) not to assign, amend, terminate, abrogate, repeal, waive or fail to enforce the CRI Subproject Agreement or any provision thereof unless previously agreed by the Bank; and
- (vii) to take or permit to be taken all action to enable the Borrower, through SAyDS to comply with its obligations referred to in the Loan Agreement, as applicable to the pertinent CRI Subproject.

SCHEDULE 7

Terms and Conditions of Infrastructure Implementation Agreements

Each Infrastructure Implementation Agreement shall contain, *inter alia*, the following provisions:

- (a) the obligation of the Borrower, through SAYDS, to comply with its obligations under the Loan Agreement, as applicable to Infrastructure Subprojects, including the obligation referred to in Section I.A of Schedule 2 to the Loan Agreement;
- (b) the obligation of ACUMAR to: (i) select the Infrastructure Subproject in accordance with the eligibility criteria set forth in the Operational Manual; (ii) monitor compliance of the carrying out of Infrastructure Subprojects; and (iii) provide its technical approval in connection with the procurement process under each Infrastructure Subproject;
- (c) the right of the Borrower, through SAYDS and/or ACUMAR to take remedial actions against the pertinent Eligible Entity in case said Eligible Entity shall have failed to comply with any of its obligations under the pertinent Infrastructure Implementation Agreement in respect of any Infrastructure Subproject;
- (d) a legal representation by the relevant Eligible Entity providing that, through the signing of the pertinent Infrastructure Implementation Agreement, said Eligible Entity has provided its written consent to permit the Borrower, through SAYDS, to carry out the pertinent Infrastructure Subproject within said Eligible Entity's territorial/administrative jurisdiction; and
- (e) the obligation of each Eligible Entity to:
 - (i) not to assign, amend, terminate, abrogate, repeal, waive or fail to enforce the Infrastructure Implementation Agreement or any provision thereof unless previously agreed by the Bank;
 - (ii) ensure that the pertinent Infrastructure Subproject is carried out in accordance with the provisions of the Anti-Corruption Guidelines (by, for example, allowing Bank inspection and audit rights under paragraph 9 (d) of the Anti-Corruption Guidelines);
 - (iii) once the pertinent Infrastructure Subproject has been carried out in a manner acceptable to the Bank, operate and maintain the investments supported under said Infrastructure Subproject, with due diligence and efficiency; and

- (iv) take or permit to be taken all action to enable the Borrower, through SAYDS, to comply with its pertinent obligations referred to in the Loan Agreement, as applicable to the pertinent Infrastructure Subproject.

APPENDIX

Section I. Definitions

1. “ACUMAR” means the *Autoridad de Cuenca Matanza-Riachuelo*, the Matanza-Riachuelo Basin Authority, a public inter-jurisdictional legal entity created pursuant to the Borrower’s Law No. 26.168 (*Ley No. 26.168*) dated November 15, 2006 (duly published on the Borrower’s official gazette on December 5, 2006) for purposes of, *inter alia*, regulating, controlling, and promoting all industrial activities, the provision of water and sanitation and any other activity, which has an impact on the M-R River Basin.
2. “ACUMAR Resolution” means the resolution issued by ACUMAR’s Board (*Consejo Directivo*) referred to in Section 3.01 (b) of this Agreement.
3. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
4. “AySA” means *Agua y Saneamientos Argentinos S.A.*, a private water and sanitation legal entity created pursuant to the Borrower’s Decree No. 304/2006 (*Decreto No. 304/2006*) dated March 21, 2006 (duly published on the Borrower’s official gazette on March 22, 2006), as amended, and ratified by the Borrower’s Law No. 26.100 (*Ley No. 26.100*) dated June 6, 2006 (duly published in the Borrower’s official gazette on June 17, 2006) for purposes of providing water and sanitation services within the Concession Area (as said term is defined herein).
5. “AySA Concession Contract” means the contract (*Acuerdo de Vinculación*) entered into between the Borrower, through its *Subsecretaría de Recursos Hídricos* (Sub-Secretariat of Water Resources), and AySA for purposes of providing water and sanitation services within the Concession Area (as said term is defined herein).
6. “AySA CU” means the unit referred to in Section I.J (a) (i) of Schedule 2 to this Agreement, or any successor thereto acceptable to the Bank.
7. “AySA Environmental Management Plan” means AySA’s plan (*Plan de Gestión Ambiental*) dated November 24, 2008, acceptable to the Bank which sets forth, *inter alia*: (a) the actions to avoid, minimize or mitigate, and monitor any environmental negative impact as a result of the carrying out of Part 1 (a) of the Project; (b) a description of the positive impacts as a result of the carrying out of Part 1 (a) of the Project; (c) the guidelines to be followed in connection with the finding of cultural property; (d) the guidelines to be followed to prevent natural habitat conversion or degradation; and (e) standard environmental provisions included or to be included in the standard bidding documents for the works under Part 1 (a) of the Project (as said terms are defined herein)
8. “AySA Grant” means the grant (*recursos no reembolsables con afectación específica*) provided under Section I.C (a) of Schedule 2 to this Agreement to finance the carrying out of Part 1 of the Project.
9. “AySA Agreement” means the agreement (*Convenio de Transferencia de Recursos*) referred to in Section I.C (a) of Schedule 2 to this Agreement.

10. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
11. “CBA” means the *Ciudad de Buenos Aires*, a political subdivision of the Borrower, as per title Two of the Borrower’s 1994 Constitution.
12. “Concession Area” means the area set forth in article 3 of annex 2 to the law that forms part of the Regulatory Framework (as said term is defined herein).
13. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
14. “CRI Grant” means a grant made out of the proceeds of the Loan to an Eligible Beneficiary to partially finance the cost of a CRI Subproject in accordance with a formula set forth in the Operational Manual (as said terms are defined herein).
15. “CRI Subproject” means any of the investments referred to in Part 2 (e) of the Project.
16. “CRI Subproject Agreement” means any of the agreements referred to in Section I.K (a) of Schedule 2 to this Agreement.
17. “Eligible Beneficiary” means a micro, small or medium size enterprise (as said type of enterprises are classified by article 1 of the Borrower’s Law No. 25.300 dated August 16, 2000, and regulated by Resolution No. 22/2001 dated February 15, 2001 issued by the Borrower’s Secretariat of Industry, Commerce and Small and Medium Enterprises (*Secretaría de Industria, Comercio y de la Pequeña y Mediana Empresa*), as said Law and Resolution have been amended to the date of this Agreement), or an association of micro, small and/or medium size enterprises, all duly vested with legal personality, and which has, or have, met the eligibility criteria to receive a PRI Grant (as said term is defined herein).
18. “Eligible Entity” means the PBA, a municipality within the territorial jurisdiction of the PBA and/or AySA (as the case may be), which entity has territorial and/or administrative jurisdiction in respect of any given Infrastructure Subproject (as said terms are defined herein).
19. “Environmental Management Framework for Part 2 of the Project” means the Borrower’s framework, acceptable to the Bank, dated April 21, 2009, which sets forth, inter *alia*: (a) the applicable institutional and regulatory environmental framework governing ACUMAR, the CBA and the PBA in respect of Part 2 of the Project; (b) the guidelines for carrying out the environmental/social screenings/assessments referred to in Section I.M of Schedule 2 to this Agreement in respect of Part 2 of the Project; (c) the procedures to mitigate, prevent and manage environmental and social impacts associated with the carrying out of Part 2 of the Project; (d) the consultation framework to be carried out during the implementation of Part 2 of the Project; and (e) the guidelines and procedures to be followed in connection with the finding of cultural property, as said manual may be amended from time to time with the agreement of the Bank (as said terms are defined herein).

20. “Environmental Management Framework for Part 3 of the Project” means the Borrower’s framework, acceptable to the Bank, dated April 21, 2009, which sets forth, *inter alia*: (a) the applicable institutional and regulatory environmental framework governing ACUMAR, the CBA and the PBA in respect of Part 3 of the Project; (b) the guidelines for carrying out the environmental/social screenings/assessments referred to in Section I.M of Schedule 2 to this Agreement in respect of Part 3 of the Project; (c) the procedures to mitigate, prevent and manage environmental and social impacts associated with the carrying out of Part 3 of the Project; (d) the consultation framework to be carried out during the implementation of Part 3 of the Project; and (e) the guidelines and procedures to be followed in connection with the finding of cultural property, as said manual may be amended from time to time with the agreement of the Bank (as said terms are defined herein).
21. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008) with the modifications set forth in Section II of this Appendix.
22. “Infrastructure Implementation Agreement” means any of the agreements referred to in Section I.L (a) of Schedule 2 to this Agreement.
23. “Infrastructure Subproject” means any of the investments referred to in Part 3 (g) of the Project.
24. “ISO” means International Organization for Standardization, an international-standard-setting body composed of representatives from various national standards organizations which issues world-wide proprietary industrial and commercial standards for products.
25. “M-R River” means the Matanza-Riachuelo river (a tributary of the Rio de la Plata) which runs from the southwest to the northeast of the PBA (as said term is defined herein), and discharges into the Rio de la Plata.
26. “M-R River Basin” means the hydrographic basin of the M-R River located within portions of the territorial jurisdiction of the PBA and the CBA (as said terms are defined herein).
27. “Non-Consultant Services” means services which will be bid and contracted on the basis of performance of measurable physical outputs.
28. “Operational Manual” means the Borrower’s manual, acceptable to the Bank, which sets forth, *inter alia*: (a) the criteria for selecting Eligible Beneficiaries and Eligible Entities under the Project; (b) the criteria for evaluating, selecting and approving CRI Subprojects and Infrastructure Subprojects; (c) the criteria for selecting the laboratories referred to in Part 2 (b) (i) of the Project; (d) the structures, functions and responsibilities of the AySA CU, the UEP and the UCOFI; (e) the Project’s chart of accounts and internal controls; (f) the format of: (A) the unaudited interim financial reports referred to in Section II. B.2 and B.3 of Schedule 2 to this Agreement; and (B) the Financial Statements; (g) the terms of reference for carrying out the Project audits under Section II.B.4 of Schedule 2 to this Agreement; (h) the Project indicators (including the results

- framework); and (i) the Project disbursement and procurement procedures, as said manual may be updated and/or amended from time to time with the agreement of the Bank.
29. “PBA” means the *Provincia de Buenos Aires*, a political subdivision of the Borrower, as per title Two of the Borrower’s 1994 Constitution.
 30. “PRI” means the *Programa de Reversión Industrial*, the industrial reconversion program for an enterprise located within the M-R River Basin (including an Eligible Beneficiary) that has been declared a contaminant agent (*agente contaminante*) by ACUMAR, which program is reflected in an agreement signed or to be signed between ACUMAR and said enterprise (including an Eligible Beneficiary).
 31. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
 32. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated April 13, 2009 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
 33. “Program” means the two phase program designed to support the integrated M-R River Basin clean-up while simultaneously improving sanitary conditions along the banks of the Rio de la Plata, and providing a long-term and cost-effective solution for safe disposal of wastewater from the Concession Area, which program is set forth or referred to in the letter dated April 16, 2009 from the Borrower to the Bank (as said terms are defined herein).
 34. “Project Environmental Management Plan” means the Borrower’s plan dated April 21, 2009, acceptable to the Bank (included as Chapter 11 of the Borrower’s environmental assessment for the Project dated April 21, 2009), which plan sets forth, *inter alia*: (a) the measures/actions to be taken during the construction and operation phases of the works to be carried out under Parts 1, 2 and 3 of the Project to eliminate or offset negative environmental impacts, or to reduce the same to acceptable levels; and (b) the following programs: (i) a program to manage and mitigate impacts during the construction phase; (ii) a program to manage and mitigate impacts associated with industrial conversion; (iii) a program to monitor environmental trends in the Project’s area of influence (which area includes the M-R River Basin and the Rio de la Plata); (iv) a program to manage and respond to the Project’s environmental contingencies; (v) a program to strengthen ACUMAR’s capacity, and carry out applied research as reflected in Part 4 of the Project; and (vi) a communication and dissemination program (as said terms are defined herein).
 35. “Regulatory Framework” means the Borrower’s Law No. 26.221 dated February 28, 2007 (duly published in the Borrower’s official gazette on March 2, 2007) which, *inter alia*, approved the regulatory framework that governs the provision of water and sanitation services within the area stipulated in article 3 of annex 2 to said law, and the Borrower’s Decree No. 763/2007 dated June 20, 2007 (duly published in the Borrower’s official gazette on June 22, 2007), which, *inter alia*, regulates the provisions of said Law No. 26.221.

36. “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.
37. “Resettlement Policy Framework” means the Borrower’s framework dated April 21, 2009, acceptable to the Bank which sets forth, *inter alia*, the principles and objectives governing Resettlement preparation and implementation, and a description of the process for preparing and approving resettlement plans under Parts 1 (a), 2 (e) and 3 (g) of the Project (as said terms are defined herein).
38. “SAyDS” means *Secretaría de Ambiente y Desarrollo Sustentable*, the Borrower’s Secretariat of the Environment and Sustainable Development.
39. “SEPA” means the Bank’s publicly accessible Procurement Plans Execution System.
40. “UCOFI” means *Unidad de Coordinación para la Gestión Técnica y Financiamiento Internacional*, the Coordination Unit for Technical Management and International Financing within SAyDS (as said term is defined herein).
41. “UEP” means the *Unidad de Ejecución del Proyecto*, the Borrower’s Project execution unit referred to in Section I.I (a) (i) of Schedule 2 to this Agreement, or any successor thereto acceptable to the Bank.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Paragraph (a) of Section 2.07 is modified to read as follows:

“Section 2.07. *Refinancing Preparation Advance; Capitalizing Front-end Fee and Interest*

(a) If the Loan Agreement provides for the repayment out of the proceeds of the Loan of an advance made by the Bank or the Association (“Preparation Advance”), the Bank shall, on behalf of such Loan Party, withdraw from the Loan Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Loan Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Bank shall pay the amount so withdrawn to itself or the Association, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. Paragraph (l) of Section 7.02 is modified to read as follows:

“Section 7.02. *Suspension by the Bank*

- ... (1) *Ineligibility*. The Bank or the Association has declared the Borrower (other than the Member Country) or the Project Implementing Entity (or any other entity responsible for implementing any part of the Project) ineligible to receive proceeds of any financing made by the Bank or the Association or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Association, as a result of a determination by the Bank or the Association that the Borrower or the Project Implementing Entity (or any other entity responsible for implementing any part of the Project) has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Association.”
3. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:
- (a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:
- “‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”
- (b) The definition of the term “Conversion Date” is modified to read as follows:
- “‘Conversion Date’ means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines.”