

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7398-AR

Loan Agreement

(Provincial Road Infrastructure Project)

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

PROVINCE OF CORDOBA

Dated November 16, 2006

Public Disclosure Authorized

LOAN AGREEMENT

Agreement dated November 16, 2006, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and PROVINCE OF CORDOBA (“Borrower”). The Bank and the Borrower 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 the Loan 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 seventy five million Dollars (\$75,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 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 Commitment Charge payable by the Borrower shall be equal to three-fourths of one percent ($\frac{3}{4}$ of 1%) per annum on the Unwithdrawn Loan Balance, subject to any waiver of a portion of such charge as may be determined by the Bank from time to time.
- 2.04. The Front-end Fee payable by the Borrower shall be equal to one percent (1.0%) of the Loan amount, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time.
- 2.05. 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, subject to any waiver of a portion of such interest as may be determined by the Bank from time to time; 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.
- 2.06. The Payment Dates are May 15 and November 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

- 2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on 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 4.04 (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. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall:
- (a) cause ACIF to carry out: (i) Part 1 (a) of the Project; (ii) Part 1 (b) of the Project with the assistance of the MOF; (iii) Parts 1 (c) (i) and (ii), 2 and 3 of the Project with the assistance of the MOPWS, through DPV; and (iv) Part 1 (c) (iii) with the assistance of: (A) the MOPWS, through DPV; and (B) the MOS, through PDTA, all with due diligence and efficiency and in conformity with appropriate administrative, financial, technical, social, engineering, fiduciary, cultural property protection and environmental practices, and in accordance with the pertinent provisions of Article V of the General Conditions; and
- (b) (i) take and/or cause to be taken (as the case may be) all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable ACIF to carry out the Project; and (ii) not take or permit to be taken any action which would prevent or interfere with the carrying out of the Project by ACIF.
- 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 shall ensure, and cause ACIF to 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) That Law No. 9050 has 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 ACIF to perform any of its obligations under the Subsidiary Agreement.
- (b) That ACIF shall have failed to perform any of its obligations under the Subsidiary Agreement.
- (c) That as a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that ACIF will be able to perform any of its obligations under the Subsidiary Agreement.

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

- (a) The event specified in paragraph (b) 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 (a) of Section 4.01 of this Agreement occurs.

ARTICLE V—EFFECTIVENESS

5.01. The Additional Condition of Effectiveness consists of the following:

The Subsidiary Agreement has been executed on behalf of the Borrower and ACIF.

5.02. The Additional Legal Matters consist of the following:

The Subsidiary Agreement has been duly authorized or ratified by the Borrower and ACIF and is legally binding upon the Borrower and ACIF 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 eighteen (18) months after the Bank's approval of the Loan which expire on January 11, 2008.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower's Representative is its Governor (*Gobernador*).

6.02. The Borrower's Address is:

Chacabuco 1300
Córdoba Capital 5000
Provincia de Córdoba

Argentina

Facsimile:
(0351) 434-3013

With a copy to:

Ministerio de Economía y Producción
Hipólito Yrigoyen 250
C1086 AAB, Buenos Aires
Argentina
Facsímile: (5411) 4349-8815

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

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.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By/s/ Axel van Trotsenburg
Authorized Representative

PROVINCE OF CORDOBA

By/s/ José Manuel de la Sota
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to improve the reliability of the Borrower's road sector assets and the efficiency of managing the same, as a means of supporting the Borrower's competitiveness and economic growth, through the strengthening of the institutional capacity of MOF, DPV and ACIF in order to foster efficient planning and adequate resource allocation for the rehabilitation and maintenance of the Borrower's core provincial network.

The Project consists of the following parts:

Part 1. Institutional Strengthening

(a) (i) Strengthening of ACIF's institutional capacity in the areas of financial and debt management, project programming and monitoring and information reporting, through, *inter alia*: (A) the strengthening of ACIF's: (1) planning and management capacity; and (2) capacity to coordinate among its technical implementation units; (B) the design and implementation of a system that will enable ACIF to adequately centralize, analyze and use financial and physical information available within ACIF as a result of carrying out its functions and responsibilities; and (C) the design and implementation of a performance-based management system that will permit ACIF to make sector planning and budgetary decisions based on the monitoring and evaluation of ACIF's investment programs; and (ii) provision of technical assistance to ACIF to enable the Borrower to comply with its obligation set forth in Section II.B.3 of Schedule 2 to this Agreement in respect of the Project audits.

(b) Strengthening of MOF's institutional capacity, through, *inter alia*: (i) the financial aggregation of public expenditures; (ii) the design and implementation of a methodology to evaluate the fiscal impact of contingent liabilities resulting from administrative claims against the Borrower in the infrastructure sector; and (iii) the strengthening of the budget formulation process.

(c) (i) Strengthening of DPV's institutional capacity in the areas of road safety, environment and social management, works' supervision, and management of CREMA Contracts so as to enable DPV to assist ACIF in the monitoring, supervision and implementation of the road works to be financed under the Project; (ii) provision of training to *Consortorios Camineros* (to be selected by the Borrower in accordance with criteria acceptable to the Bank) to improve their management and technical capacity; and (iii) design and implementation of a road safety plan (as approved by the Bank) in respect of the roads to be rehabilitated and maintained and/or paved under the Project, which plan consists of, *inter alia*: (A) the improvement of the existing methodology used to collect, monitor and evaluate road accidents statistical data; (B) the provision of training to Borrower's municipal and DPV's technical staff with respect to geometric designs related to road safety; and (C) the carrying out of a public awareness and children's traffic education program for primary and secondary school students.

Part 2. Road Rehabilitation and Maintenance

Carrying out, under the terms of three (3) CREMA Contracts listed in the Operational Manual, of rehabilitation works (such as base reconstruction, resurfacing, or asphalt concrete

overlying) and routine maintenance works for approximately 424 kilometers of provincial roads (in the aggregate).

Part 3. Road Paving

Carrying out of road paving works in the six provincial road sections listed in the Operational Manual (which works will require the widening of the existing right-of-way of said road sections).

SCHEDULE 2

Project Execution

Section I. Subsidiary Financing; Institutional and Other Arrangements

A. Subsidiary Agreement.

1. To facilitate the carrying out of the Project, the Borrower shall make the proceeds of the Loan available, on a grant basis, to ACIF under a subsidiary agreement between the Borrower and ACIF, under terms and conditions approved by the Bank, which shall include, *inter alia*, those set forth in Schedule 4 to this Agreement (“Subsidiary Agreement”).

2. The Borrower shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, terminate, waive or fail to enforce the Subsidiary Agreement or any provision thereof.

B. Institutional and Other Arrangements

1. The Bank and the Borrower hereby agree that the obligations set forth in Sections 5.04, 5.05, 5.06 and 5.07 of the General Conditions (relating to insurance, land acquisition, use of goods, works and services, and plans, documents and records, respectively) in respect of the Project shall be carried out by ACIF.

2. (a) Without limitation upon the provisions of Section 3.01 of this Agreement, the Borrower shall cause ACIF to carry out the Project in accordance with: (i) the provisions of the Operational Manual, said manual to include, *inter alia*: (A) the list of CREMA Contracts and road sections under Part 3 of the Project; (B) the institutional and administrative structure of the PU and its functions and responsibilities; (C) the Project’s chart of accounts, internal controls, and budgeting, accounting and financial reporting systems; (D) the format of the annual financial statements and unaudited interim financial reports referred to in Section II. B.1 (b) and B.2 of this Schedule, respectively; (E) the terms of reference for carrying out the Project audits under Section II.B.3 of this Schedule; (F) the Project’s flow of funds structure; (G) the Project administrative and procurement procedures; (H) the Project’s standard bidding documents for CREMA Contracts and road paving works under Part 3 of the Project (which shall include a provision whereby the contractor must comply with the pertinent provisions of the Environmental and Social Management Plan); (I) the Project indicators; (J) the fiscal indicators referred to in Part B of Section V of this Schedule; and (K) the information described in Section I.B.2 (c) below; and (ii) the provisions of the Environmental and Social Management Plan.

(b) In case of any conflict among the terms of the Operational Manual, the Environmental and Social Management Plan and those of this Agreement, the terms of this Agreement shall prevail.

(c) Without limitation upon the provisions of Section I.B.2 (a) above, the Borrower shall cause ACIF to, not later than three months after the Effective Date, update the Operational Manual, in a manner acceptable to the Bank, and therefore, include in said updated version the following information: (i) the terms of reference for the professional and administrative staff of the PU; (ii) the terms of reference for preparing the semi-annual Project Reports, as referred to in

Section II. A.1 of this Schedule; (iii) the format of the Project Reports; (iv) the terms of reference for the design of the road safety plan referred to in Part 1 (c) (iii) of the Project; and (v) the terms of reference for the upgrading of the financial information management system, as referred to in Section I.B.12 of this Schedule.

3. (a) The Borrower shall cause ACIF to operate and maintain, at all times during Project implementation, the PU with a structure, functions and responsibilities acceptable to the Bank, including, *inter alia*, the responsibility to assist ACIF in the procurement of goods, works and/or services under the Project.

(b) The Borrower shall cause ACIF to ensure that the PU is, at all times during Project implementation, headed by a procurement coordinator and assisted by professional and administrative staff, all in numbers and with qualifications and experience acceptable to the Bank.

4. The Borrower shall ensure, and cause ACIF to ensure, that any road to be rehabilitated and maintained under the CREMA Contracts and/or paved under Part 3 of the Project has not been previously financed, or currently being financed, by a Bank loan, and/or with the Borrower's funds under any Bank project.

5. The Borrower shall ensure, and cause ACIF to ensure, that: (a) any works to be carried out under any CREMA Contract do not involve any Resettlement; and (b) any works to be carried out under Part 3 of the Project do not involve the physical displacement of population.

6. Without limitation to the provisions of Section I. B.5 (b) of this Schedule, and if applicable, the Borrower shall, prior to the commencement of the pertinent paved works under any given road section under Part 3 of the Project, carry out and/or cause to be carried out the pertinent provisions of the Land Acquisition Plan in accordance with its terms, and in a manner acceptable to the Bank.

7. The Borrower shall ensure, and cause ACIF to ensure, that any works to be carried out under the Project do not involve the use or potential pollution of International Waterways.

8. The Borrower shall cause ACIF to: (a) not later than December 31 of each year of Project implementation (starting in the year 2006), prepare and furnish to the Bank, a Project implementation plan, acceptable to the Bank, to be carried out during the calendar year following the date of presentation of said plan, which plan shall include, *inter alia*, the Project activities to be carried out during said given year and the counterpart fund allocation in respect of said Project activities; and (b) thereafter, implement and/or cause to be implemented each of said Project implementation plans in accordance with its terms.

9. The Borrower, through DPV, shall: (a) not later than December 31 of each calendar year of Project implementation (starting in the year 2006), carry out an annual road and traffic survey in respect of said roads to be benefited under the Project under terms of reference acceptable to the Bank; (b) not later than six months after the carrying out of each of said annual surveys, prepare a report of such scope and in such detail as the Bank shall reasonably request concerning the outcome of each of said surveys; and (c) immediately thereafter, cause ACIF to furnish to the Bank the pertinent reports mentioned in (b) herein.

10. (a) The Borrower shall cause ACIF to: (i) not later than six calendar months after the Effective Date, prepare (under terms of reference acceptable to the Bank) and approve baseline data to enable the Borrower to comply with the obligation set forth in Section II.A.1 of this Schedule; and (ii) immediately thereafter, assess, on an ongoing basis, the Project impact in accordance with the Project indicators mentioned in Section II.A.1 of this Schedule.

(b) Without limitation to the provisions of paragraph (a) herein, the Borrower shall cause ACIF to: (i) not later than July 31, 2009: (A) carry out a mid-term impact assessment of the Project in accordance with said Project indicators, which assessment shall take into account the variables related to enhanced roads condition, the transport costs, production opportunities, job generation and road safety; and (B) prepare and furnish to the Bank, a report, acceptable to the Bank, reflecting the results of said mid-term assessment; and (ii) not later than July 31, 2012: (A) carry out a final impact assessment of the Project in accordance with said Project indicators, which final assessment shall also take into account the same variables mentioned in (i) (A) herein; and (B) prepare and furnish to the Bank, a report, acceptable to the Bank, reflecting the results of said final impact assessment.

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

12. Without limitation to the provisions of Section II. B.1 (a) of this Schedule, the Borrower shall, not later than twelve months after the Effective Date, cause ACIF to upgrade the financial management information system referred to in Section II.B.1 (a) of this Schedule, on terms acceptable to the Bank.

13. Without limitation to Section 5.11 of the General Conditions, the Borrower shall cause ACIF to enable the Bank's representatives to: (a) visit any facilities and construction sites under the Project; and (b) examine the goods financed out of the proceeds of the Loan under the Project, and any plants, installations, sites, works, buildings, property, equipment, records and documents relevant to the performance of its obligations under the Subsidiary Agreement.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports.

1. (a) The Borrower shall cause ACIF to monitor and evaluate the progress of the Project and to prepare Project Reports, all in accordance with the pertinent provisions of Section 5.08 of the General Conditions, as applicable, and on the basis of the Project indicators set forth in the Operational Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than forty five days after the end of the period covered by each such report (starting with the Project Report due in August 2007).

(b) Each Project Report shall also include: (i) the interim un-audited financial reports referred to in Section II. B.2 of this Schedule; (ii) a physical progress report in respect of Project implementation; and (iii) procurement status reports, all in accordance with the format set forth in the Operational Manual.

2. The Borrower shall cause ACIF to review with the Bank not later than August 15 of each year of Project implementation (starting in the year 2007), the pertinent Project Reports, and thereafter, take and/or cause to be taken, as the case may be, all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of the said Project Reports and the Bank's views on the matter.

B. Financial Management, Financial Reports and Audits.

1. The Borrower shall cause ACIF (on its own behalf and on behalf of the Borrower) to: (a) maintain a financial management system; and (b) prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Project.

2. Without limitation on the provisions of Section II. A of this Schedule, the Borrower shall cause ACIF to prepare and furnish to the Bank as part of each Project Report, interim un-audited financial reports for the Project covering the pertinent semester, in form and substance as set forth in the Operational Manual.

3. The Borrower shall cause ACIF to have the financial statements referred to in paragraph 1 above audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of said financial statements shall cover the period of one fiscal year of ACIF. 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, including any such other information concerning said audited financial statements and such auditors, as the Bank may from time to time reasonably request.

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 in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.

2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall 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 Schedule.

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 provisions in Section III A.1 and 2 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 and Non-Consultant Services shall be carried out using standard bidding documents acceptable to the Bank;

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

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

(d) 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;

(e) 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;

(f) 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;

(g) the invitations to bid, bidding documents, minutes of bid openings, requests for expressions of interest and the evaluation reports of bids and proposals of all goods, works, Non-Consultant Services and consultants' services, as the case may be, shall be published in a web page, acceptable to the Bank, and in a manner acceptable to the Bank;

(h) 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;

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

(j) the provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines providing for domestic preference in the evaluation of bids in respect of goods, works and/or Non-Consultant Services shall not apply under the Project; and

(k) the types of contracts described in Section IV of the Consultant Guidelines (including the important provisions to be included in said contracts under said Section IV) shall be the only types of contracts to be used by ACIF (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.

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.

<u>Procurement Method</u>
(a) National Competitive Bidding
(b) Shopping

For purposes of paragraph 2 (a) herein, and without limitation to the provisions of paragraphs 3.3 and 3.4 of the Procurement Guidelines, the term National Competitive Bidding means the pertinent competitive bidding procedures used by the Borrower and/or ACIF for public provincial procurement.

3. In respect of Non-Consultant Services, the Borrower shall cause ACIF to ensure that said services are bid and contracted on the basis of performance of measurable physical outputs.

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.

<u>Procurement Method</u>
(a) Least Cost Selection
(b) Selection Based on the Consultants' Qualifications
(c) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants

D. Review by the Bank of Procurement Decisions

Except as the Bank shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Bank: (a) each contract for works estimated to cost the equivalent of \$3,000,000 or more; (b) each contract for goods and Non-Consultant Services estimated to cost the equivalent of \$250,000 or more; (c) the first two contracts for goods, works and Non-Consultant Services to be procured under National Competitive Bidding and Shopping regardless of their cost; (d) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more; and (e) the first two contracts for consultants' services provided by a firm on the basis of Quality-and Cost-based Selection, Least Cost Selection and Selection Based on Consultants' Qualifications regardless of their cost.

In addition, the following prior review procedures shall apply to: (a) each contract for the employment of individual consultants (other than consultants to be selected on a sole source basis) estimated to cost the equivalent of \$50,000 or more: (i) the report on the comparison of the qualifications and experience of the candidates, the terms of reference and conditions of employment of the consultant shall be furnished to the Bank for its prior review and approval; (ii) the contract shall be awarded only after the Bank's approval shall have been given; and (iii) the provisions of paragraph 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply to the contract; and (b) each contract for the employment of individual consultants to be selected on a sole source basis: (i) the qualifications, experience, terms of reference and conditions of employment of the consultants shall be furnished to the Bank for its prior review and approval; (ii) the contract shall be awarded only after the Bank's approval shall have been given; and (iii) the provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall apply to the contract.

All other contracts not mentioned in this Section III.D shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General.

1. The Borrower may withdraw or cause ACIF to withdraw (on the Borrower's behalf) the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank shall specify by notice to the Borrower (including the applicable provisions of the "World Bank Disbursement Guidelines for Projects" dated May 1, 2006, as revised from time to time by the World 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
(1) Goods (other than non-durable goods as covered under Category (4) below), Non-Consultant Services, consultants’ services and Training under Part 1 (a) (i), (b) and (c) of the Project	2,110,000	100%
(2) Works under CREMA Contracts	33,540,000	85%
(3) Works under Part 3 of the Project	29,550,000	70%
(4) Operating Costs	200,000	100%
(5) Front-end Fee	187,500	Amount payable pursuant to Section 2.04 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(6) Premia for Interest Rate Caps and Interest Rate Collars	0	Amounts payable pursuant to Section 2.08 (c) of this Agreement
(7) Unallocated	9,412,500	
TOTAL	75,000,000	

For purposes of this table:

(a) the term “Training” means expenditures (other than those for consultants’ services) incurred by ACIF, as approved by the Bank on the basis of an annual budget acceptable to the Bank, to finance reasonable transportation costs and per-diem of trainees and trainers (if applicable), training registration fees, and rental of training facilities and equipment under Part 1 (c) (ii) and (iii) of the Project; and

(b) the term “Operating Costs” means reasonable recurrent expenditures, based on an annual budget previously approved by the Bank, that would not have been incurred by ACIF absent the Project, for Project administration costs (including office rent), operation and maintenance of office equipment, non-durable goods, and the Project audits referred to in Section II.B.3 of this Schedule.

3. For purposes of Section 2.04 of the General Conditions, the Borrower shall cause ACIF to comply with the obligations set forth in said section.

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$15,000,000 equivalent may be made for payments made prior to this date but on or after April 1, 2006 (but in no case more than one year prior to the date of this Agreement), for Eligible Expenditures under Categories (1) through (4), if the Borrower and/or ACIF (as the case may be) shall have complied with the pertinent provisions of this Agreement and/or the Subsidiary Agreement, respectively.
2. The Closing Date is October 31, 2012.

Section V. Other Undertakings

A. The Borrower shall cause ACIF:

1. to carry out its operations and conduct its affairs in accordance with sound administrative, financial, technical, social, engineering, fiduciary, cultural property protection and environmental practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers; and
2. at all times to operate and to maintain all Project equipment and construction, and from time to time, promptly as needed, to make all necessary repairs and renewals thereof, all in accordance with sound administrative, financial, technical, social, engineering, fiduciary, cultural property protection and environmental practices.

B. (a) The Borrower shall comply with the fiscal indicators acceptable to the Bank which are set forth in the Operational Manual.

(b) The Borrower shall: (i) not later than sixty calendar days after the end of each calendar semester during Project implementation (starting with the report due in February 2007), prepare and furnish to the Bank a report, acceptable to the Bank, concerning the Borrower's compliance with the fiscal indicators mentioned in (a) herein; and (ii) not later than sixty calendar days after the presentation of each of said reports, review with the Bank the pertinent report.

C. The Borrower shall establish adequate mechanisms and/or undertake the appropriate actions to maintain compliance, at least during Project implementation, with the provisions of the Fiscal Responsibility Law so as to achieve fiscal sustainability.

SCHEDULE 3**Amortization Schedule**

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 May 15 and November 15 Beginning November 15, 2012 through May 15, 2019	6.67%
On November 15, 2019	6.62%

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 sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn 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 Subsidiary Agreement**

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

- (a) the obligation of the Borrower:
 - (i) to promptly make available to ACIF, on a grant basis, the proceeds of the Loan in a manner acceptable to the Bank, and as provided in Section I.A.1 of Schedule 2 to this Agreement; and
 - (ii) to assist ACIF in the carrying out of the Project, as provided in Section 3.01 (a) of this Agreement;

- (b) the right of the Borrower to take remedial actions against ACIF in case ACIF shall have failed to comply with any of its obligations under the Subsidiary Agreement (which actions may include, *inter alia*, the partial or total suspension and/or cancellation of the proceeds of the Loan (as the case may be), all as previously agreed with the Bank); and

- (c) the obligation of ACIF:
 - (i) to carry out the Project in accordance with the provisions of the Subsidiary Agreement;
 - (ii) not to assign, amend, terminate, abrogate, repeal, waive or fail to enforce the Subsidiary Agreement or any provision thereof unless previously agreed by the Bank; and
 - (iii) to take or permit to be taken all action to enable the Borrower to comply with the pertinent obligations under Article III of, and Schedule 2 to, this Agreement.

- (d) In case of any conflict between the terms of the Subsidiary Agreement and those of this Agreement, the terms of this Agreement shall prevail.

APPENDIX

Section I. Definitions

1. “ACIF” means *Agencia Córdoba de Inversión y Financiamiento*, an entity partially owned by the Borrower, and vested with legal personality pursuant to Law No. 9050 (as defined below).

“Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

3. “*Consortio Caminero*” means a non-profit organization subject to public provincial law which main objective is to carry out the conservation and improvement of the Borrower’s non-paved provincial road network.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
5. “CREMA Contract” means a multi-year contract under Part 2 of the Project, entered into by ACIF with a private sector contractor, which contract obligates the private sector contractor to undertake all phases of road rehabilitation and maintenance work as a single package, from design and programming of the works, through the execution of such works, with respect to an identified portion of the corresponding provincial road network;
6. “DPV” means *Dirección Provincial de Vialidad*, the Provincial Road Agency established within the MOPW (as defined below).
7. “Environmental and Social Management Plan” means Borrower’s plan, acceptable to the Bank, dated May 22, 2006 which sets forth, *inter alia*: (a) the Land Acquisition Plan (as defined below); (b) the environmental/social screening process followed during Project preparation in respect of the roads to be benefited under the Project; (c) the procedures to be followed during Project implementation in connection with the finding of cultural property; (d) the measures and procedures to mitigate, prevent and manage environmental and social impacts associated with the carrying out of the road works under the Project; and (e) a public participation framework to be followed during Project implementation.
8. “Fiscal Responsibility Law” means the Guarantor’s law No. 25.917 dated August 4, 2004 (duly published in the Guarantor’s official gazette on August 25, 2004), which establishes, *inter alia*, a federal regime of fiscal responsibility with the objective of ensuring fiscal sustainability at the provincial level, through the setting of general rules of fiscal behavior and the provision of greater transparency in public management, and such term also includes the regulations to said law.
9. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005.
10. “International Waterways” means: (i) any river, canal, lake, or similar body of water that forms a boundary between, or any river or body of surface water that flows through, two or

more countries; (ii) any tributary or other body of surface water that is a component of any waterway described in (i) herein; and (iii) any bay, gulf, strait, or channel bounded by two or more countries or, if within one country, recognized as necessary channel of communication between the open sea and other countries, and any river flowing into such waters.

11. “Land Acquisition Plan” means the Borrower’s plan set forth in the Environmental and Social Management Plan (as defined above) which includes, *inter alia*: (a) the objectives of said land acquisition plan; (b) the applicable legal and institutional frameworks governing the implementation of said land acquisition plan; (c) the procedures to be followed with respect to the different alternatives of land acquisition; and (d) the measures to ensure that the affected population are informed about their options and rights pertaining to the different alternatives of land acquisition.
12. “Law No. 9050” means the Borrower’s Ley No. 9050 dated October 23, 2002 (duly published in the official gazette on October 25, 2002) which established ACIF (as defined above), as said law has been amended to the date of this Agreement.
13. “MOF” means *Ministerio de Finanzas*, the Borrower’s Ministry of Finance.
14. “MOPWS” means *Ministerio de Obras y Servicios Públicos*, the Borrower’s Ministry of Public Works and Services.
15. “MOS” means *Ministerio de Seguridad*, the Borrower’s Ministry of Security.
16. “Non-Consultant Services” means expenditures incurred by ACIF to finance the provision of services under the Project, which services will be bid and contracted on the basis of performance of measurable physical outputs.
17. “Operational Manual” means ACIF’s manual, acceptable to the Bank, dated May 29, 2006, referred to in Section I.B.2 (a) (i) of Schedule 2 to this Agreement, as the same may be amended from time to time with the agreement of the Bank.
18. “PDTA” means *Dirección Provincial de Prevención de Accidentes de Tránsito*, the Provincial Directorate for the Prevention of Traffic Accidents established within the MOS (as defined above).
19. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
20. “Procurement Plan” means the Borrower/ACIF’s procurement plan for the Project, dated May 29, 2006 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.
21. “PU” means ACIF’s procurement unit referred to in Section I.B.3 of Schedule 2 to this Agreement.
22. “Resettlement” means the direct 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, as determined by the Bank.

23. “Subsidiary Agreement” means the agreement referred to in Section I. A.1 of Schedule 2 to this Agreement, as the same may be amended from time to time with the agreement of the Bank.