

CONFORMED COPY

LOAN NUMBER 2920 AR

(Municipal Development Project)

between

THE ARGENTINE REPUBLIC

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated November 29, 1988

LOAN NUMBER 2920 AR

LOAN AGREEMENT

AGREEMENT, dated November 29, 1988, between THE ARGENTINE REPUBLIC (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project;

(B) the Project will be carried out by the Provinces of Buenos Aires, Cordoba, La Pampa, Neuquen and Santa Fe (the Provinces) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to the Provinces the proceeds of the Loan as provided in this Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Bank and each of the Provinces;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) "Province" means one of the Provinces, as such term is defined in the Preamble to this Agreement;
- (b) "Project Agreements" means the agreements between the Bank and each of the Provinces of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to such Project Agreements and "Project Agreement" means one of the Project Agreements;
- (c) "Subsidiary Loan Agreements" means the agreement to be entered into between the Borrower and each of the Provinces pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreements; "Subsidiary Loan Agreement" means one of the Subsidiary Loan Agreements; and "Subsidiary Loan" means a loan provided for in a Subsidiary Loan Agreement;
- (d) "National Liaison Unit" means the unit to be maintained by the Borrower pursuant to Section 3.03 of this Agreement;
- (e) "Financial Agency Agreement" means the Agreement to be entered into between the Borrower and a financial institution, satisfactory to the Bank (hereinafter the Financial Intermediary), pursuant to Section 2.02 (c) of this Agreement;
- (f) "Provincial Executing Unit" means the unit established or to be established by each of the Provinces for purposes of coordinating, supervising and participating in the execution of the Project, pursuant to Section 2.02 of the Project Agreement entered into by such Province and the Bank;
- (g) "Manual" means the manual of operating policies and procedures issued by each Province for purposes of the Project pursuant to the Project Agreement entered into by such Province and the Bank;
- (h) "Austral" and "A" mean the currency unit of the Borrower;
- (i) "Annual Investment Program" means the annual investment program (including Municipal Investment and Provincial Technical Assistance and training) to be prepared by each Province for purposes of the Project pursuant to Section 2.03 of the Project Agreement entered into by such Province and the Bank;
- (j) "Municipality" means a Municipality in one of the Provinces and "Eligible Municipality" means a Municipality which meets in terms satisfactory to the Bank the eligibility criteria set forth in such Province's Manual for carrying out Eligible Sub-projects;
- (k) "Municipal Development Fund" means the Municipal Development Fund established or to be established by each Province pursuant to the provisions of the Project Agreement entered into by such Province and the Bank;
- (l) "Municipal Sub-project" means an investment project consisting of physical investments, including construction, rehabilitation and operation of public infrastructure and community facilities, acquisition and utilization of vehicles and equipment or technical assistance or training programs, which meet the eligibility criteria set forth in a Province's Manual;
- (m) "Provincial Sub-project" means a technical assistance or training program (including auditing services and acquisition and utilization of equipment and software) to be carried out by a Province under the Project for the benefit of one or more Municipalities and/or the Provincial Executing Unit and/or any other Provincial agencies or departments responsible for the

execution of the Project;

(n) "Eligible Sub-project" means a Municipal Sub-project or a Provincial Sub-project which has been included in an Annual Investment Program approved by the Bank;

(o) "Sub-loan" means a loan, made in terms and conditions satisfactory to the Bank, by a Province to an Eligible Municipality out of the proceeds of a Subsidiary Loan to finance the execution of Eligible Sub-projects, as provided in such Province's Manual;

(p) "Sub-loan Agreement" means an agreement entered into a Province and an Eligible Municipality providing for a Sub-loan;

(q) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement; and

(r) "Inflation Index" means the index resulting from the average of the General Wholesale and Consumer Price Indices, weighted equally, published by the Borrower's Instituto Nacional de Estadísticas y Censos (INDEC).

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount in various currencies equivalent to one hundred and twenty million dollars (\$120,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special account in the Financial Intermediary on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

(c) The Borrower shall, for purposes of the opening and operation of the Special Account and the disbursement and collection of the proceeds of the Subsidiary Loans, enter into an Agreement satisfactory to the Bank with the Financial Intermediary (the Financial Agency Agreement).

(d) The Borrower shall duly perform all its obligations under the Financial Agency Agreement. Except as the Bank shall otherwise agree, the Borrower shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Financial Agency Agreement or any provision thereof.

Section 2.03. The Closing Date shall be June 30, 1995 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate per annum for each Interest Period equal to one-half of one percent per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings for such Semester.

(c) For purposes of this Section:

(i) "Interest Period" means the six-month period commencing on each date specified in Section 2.06 of this Agreement, including the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per annum, as reasonably determined by the Bank.

(iii) "Semester" means the first six months or the second six months of a calendar year.

Section 2.06. Interest and other charges shall be payable semiannually on May 15 and November 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and to this end, without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall, under the respective Subsidiary Loan Agreements, cause the Provinces to perform in accordance with the provisions of the Project Agreements all the obligations of the Provinces therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable the Provinces to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall relend the proceeds of the Loan to the Provinces under subsidiary loan agreements to be entered into between the Borrower and each of the Provinces, under terms and conditions which shall have been approved by the Bank, which shall include the terms and conditions set forth in Schedule 5 to this Agreement.

(c) After three years from the date of this Agreement, the Borrower shall reallocate the undisbursed and uncommitted amount of the Loan among the Provinces as provided in paragraph (6) of Schedule 5 to this Agreement.

(d) The Borrower shall exercise its rights under the Subsidiary Loan Agreements in such manner as to protect the interests of the parties to the Loan and the Project Agreements, and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreements or any provision thereof.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 6 to this Agreement.

Section 3.03. The Borrower shall (a) maintain a National Liaison Unit in the Secretariat of Housing and Environmental Management of the Ministry of Public Health and Social Affairs, or any successor thereto, with staffing, responsibilities and functions satisfactory to the Bank, to provide overall coordination of the execution of the Project; and

(b) provide, or cause to be provided, promptly as needed, all the funds, facilities, staff and resources required by the National Liaison Unit to carry out its functions and responsibilities in an efficient and timely manner.

Section 3.04. Not later than March 31 and September 30 each year, the Borrower, through the National Liaison Unit, shall prepare and furnish to the Bank a report on the execution of the Project, of such scope and detail as the Bank shall reasonably request, including a consolidated statement and evaluation of the semi-annual performance and annual financial audits prepared by each of the Provinces pursuant to Article III of the Project Agreements.

Section 3.05. Without limitation to the provisions of Sections 3.03 and 3.04 of this Agreement, the Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) shall be carried out by each Province pursuant to Section 2.07 of the respective Project Agreement, provided,

however, that the Borrower shall prepare and furnish to the Bank, through the National Liaison Unit, a consolidated completion report pursuant to Section 9.07 (c) of the General Conditions.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall:

- (i) maintain or cause to be maintained in accordance with sound accounting practices, separate records and accounts reflecting all deposits and payments made into and from the Special Account; and
- (ii) enable the Bank's representatives to examine such records.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) (i) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than four months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified, provided, however, that if any of the events specified in the following paragraphs (a) or (b) shall have occurred and be continuing, the suspension of the Borrower's right to make withdrawals from the Loan Account may be limited by the Bank to withdrawals in respect of Project expenditures related to the Province or Provinces affected:

(a) Any of the Provinces shall have failed to perform any of its obligations under a Project Agreement.

(b) 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 a Province will be able to perform its obligations under a Project Agreement.

(c) The Financial Intermediary shall have failed to perform any of its obligations under the Financial Agency Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, that any event specified in paragraph (a) or paragraph (c) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) the Borrower has entered into Subsidiary Loan Agreements with at least three Provinces;

(b) that all action has been taken by the Borrower, when required, and the Provinces referred to in paragraph (a) of this Section in order to: (i) exempt all

contracts for goods, works and services to be financed under the Loan from all legal and regulatory provisions of the Borrower and such Provinces limiting the international procurement of such goods, works and services; (ii) establish the Municipal Development Fund in each of such Provinces; (iii) approve the Manual in terms satisfactory to the Bank in each of such Provinces; and (iv) establish, provide funds and other resources for, and staff the Provincial Executing Unit in each of such Provinces in terms satisfactory to the Bank;

(c) the National Liaison Unit shall have been established and staffed in terms satisfactory to the Bank; and

(d) the Borrower has entered into the Financial Agency Agreement.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

(a) that the Project Agreements have been duly authorized or ratified by the Provinces referred to in paragraph (a) of Section 6.01 of this Agreement, respectively, and are legally binding upon such Provinces, respectively, in accordance with their terms;

(b) that the Subsidiary Loan Agreements have been duly authorized or ratified by the Borrower and the Provinces referred to in paragraph (a) of Section 6.01 of this Agreement, respectively, and are legally binding upon the Borrower and such Provinces, respectively, in accordance with their terms;

(c) that the exemption referred to in paragraph (b) (i) of Section 6.01 of this Agreement has been duly granted and no other action on behalf of the Borrower, or Provinces referred to in paragraph (a) of Section 6.01 of this Agreement is required for the procurement of goods, works and services in accordance with the provisions of this Agreement and the Project Agreements entered into by such Provinces;

(d) that the Manuals have been legally approved and the Municipal Development Funds and the Provincial Executing Units have been legally established in the Provinces referred to in paragraph (a) of Section 6.01 of this Agreement;

(e) that the National Liaison Unit has been legally established by the Borrower; and

(f) that the Financial Agency Agreement has been duly authorized or ratified by the Borrower and the Financial Intermediary and is legally binding upon the Borrower and the Financial Intermediary, in accordance with its terms.

Section 6.03. The date March 1, 1989 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. The Minister of Economy of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministerio de Economia
Hipolito Yrigoyen 250
Buenos Aires
Argentina

Telex:

(390) 21-952

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

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

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

THE ARGENTINE REPUBLIC

By /s/ Elva Roulet

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Shahid Husain

Regional Vice President
Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Works included in an Eligible Sub-project	70,000,000	53.5%
(2) Goods included in an Eligible Sub-project	27,000,000	100% of foreign expenditures and 50% of local expenditures
(3) Consultants' services included in an Eligible Sub-project		
(a) auditing services	500,000	100%
(b) services other than auditing	4,000,000	100% of foreign expenditures and 50% of local expenditures

(4) Unallocated	18,500,000
TOTAL	120,000,000

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement; except that withdrawals by each Province in an aggregate amount not exceeding the equivalent of ten percent (10%) of its Subsidiary Loan may be made on account of payments made for expenditures before that date but after November 16, 1987;

(b) expenditures by any of the Provinces, except those referred to in Section 6.01 (a) of this Agreement, until the Bank shall have received a duly certified copy of the Subsidiary Loan Agreement entered into by such Province, together with: (i) evidence satisfactory to the Bank that all action has been taken by the Borrower and the Province to: (A) exempt all contracts for goods, works and services to be financed under the Loan from all federal and provincial legal and regulatory provisions limiting the international procurement of such goods, works and services; (B) establish the Municipal Development Fund in such Province; (C) approve the Manual in terms satisfactory to the Bank; and (D) establish, provide funds and other resources for, and staff the Provincial Executing Unit in terms satisfactory to the Bank; (ii) opinion or opinions satisfactory to the Bank of counsel acceptable to the Bank showing, on behalf of the Borrower and the Province: (A) that the respective Project Agreement and Subsidiary Loan Agreement have been duly authorized or ratified by, and executed and delivered on behalf of the Province and the Borrower (in the case of the Subsidiary Loan Agreement) and are legally binding upon the parties thereto in accordance with their terms; (B) that the exemption referred to in subparagraph (i) above has been duly granted and no other action on behalf of the Borrower and the Province is required for the procurement of goods, works and services in accordance with the provisions of this Agreement and the respective Project Agreement; and (C) that the Manual has been legally approved and the Municipal Development Fund and the Provincial Executing Unit have been legally established by such Province;

(c) expenditures in a Province in a given calendar year (excluding expenditures for Eligible Sub-projects included in an Annual Investment Program approved by the Bank for a previous calendar year) unless the Bank shall have received for its approval such Province's Annual Investment Program for such year;

(d) expenditures in a Province after April 30 in a given calendar year (excluding expenditures for Eligible Sub-projects included in an Annual Investment Program approved by the Bank for a previous calendar year), unless the Bank shall have received the auditing reports required by the Project Agreement for the preceding calendar year; and

(e) expenditures in a Province after May 31 in a given calendar year (excluding expenditures for Eligible Sub-projects included in an Annual Investment Program approved by the Bank for a previous calendar year) unless the Bank shall have received a plan of action satisfactory to the Bank to remedy any irregularities or deficiencies noted by such audit reports at the Provincial or Municipal levels.

SCHEDULE 2

Description of the Project

The objectives of the Project are to strengthen public sector management in the Provinces, specifically through: (a) mobilization of external and internal resources to finance justified municipal investments; (b) improvement of municipalities' capacity to plan, finance, execute, supervise and operate cost-effective capital improvement programs; and (c) promotion of structured periodic consultations between municipal and provincial authorities to formulate and evaluate investment plans.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A:

Execution by Eligible Municipalities of Eligible Sub-projects, for physical investments including construction and rehabilitation of public infrastructure and community facilities, and acquisition and utilization of vehicles and equipment and provision of financing for such Eligible Sub-projects by the Province through Sub-loans.

Part B:

Execution of Eligible Sub-projects for technical assistance and training programs to improve the managerial, technical, financial and planning capabilities of, (a) Municipalities, and (b) Provincial Project Execution Units and other provincial agencies or departments responsible for Project execution.

* * * *

The Project is expected to be completed by December 31, 1994.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in dollars)*
On each May 15 and November 15	
beginning November 15, 1991	
ending May 15, 2003	5,000,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

The following premiums are specified for the purposes of Section 3.04 (b) of the

General Conditions:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the balance outstanding on the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.20
More than three years but not more than six years before maturity	0.40
More than six years but not more than eleven years before maturity	0.73
More than eleven years but not more than thirteen years before maturity	0.87
More than thirteen years before maturity	1.00

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) and (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$5,000,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Bank shall otherwise agree, payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Bank requests for replenishment of the Special Account at such intervals as the Bank shall specify. On the basis of such requests, the Bank shall withdraw from the Loan Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Bank, prior to or at the time of such request, such

documents and other evidence as the Bank shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Bank when either of the following situations first arises:

- (i) the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or
- (ii) the total unwithdrawn amount of the Loan allocated to the eligible Categories minus the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account (i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank, deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. No further deposit by the Bank into the Special Account shall be made until the Borrower has made such deposit or refund.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount for crediting to the Loan Account and immediate cancellation.

SCHEDULE 5

Terms and Conditions of the Subsidiary Loan Agreements

The Subsidiary Loan Agreements shall include terms and conditions satisfactory to the Bank, including:

- (1) Repayment period of 15 years, including 3 years of grace.
- (2) The Subsidiary Loans shall be denominated in dollars and payable in Australes, provided, however, that adjustments to payments of principal in Australes in relation to the dollar will be restricted in any amortization period to a plus or minus 10% deviation from the Inflation Index, the difference between the adjustment of the dollar vis-a-vis the Austral and the Inflation Index to be credited to, or capitalized in, the outstanding amounts of the respective Subsidiary Loan.
- (3) The interest rate applicable to the Subsidiary Loans shall be the interest rate applicable to the Loan pursuant to Section 2.05 of this Agreement plus a service charge by the Financial Intermediary.
- (4) The Provinces shall pay a commitment charge on the principal amount of the Subsidiary Loan not withdrawn from time to time at the rate of 3/4 of 1% per annum.
- (5) The amount of the Loan shall be relent to the Provinces as follows:

Provinces	Dollars Equivalent
Buenos Aires	55,000,000
Cordoba	21,000,000

La Pampa	3,500,000
Neuquen	9,500,000
Santa Fe	31,000,000

(6) The full amount of the Subsidiary Loan shall be available for each Province for a period of three years from the date of this Agreement, and any amounts of the Subsidiary Loans not committed in terms satisfactory to the Borrower and the Bank after such three-year period shall be made available to the Provinces willing to continue participating in the execution of the Project in amounts and terms specified in the Subsidiary Loan Agreements.

SCHEDULE 6

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Argentina may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Goods and civil works estimated to cost less than the equivalent of \$25,000 per contract, up to an aggregate amount not to exceed the equivalent of \$30,000,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers or contractors eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

2. Civil works estimated to cost the equivalent of \$25,000 or more but not exceeding the equivalent of \$500,000, up to an aggregate not exceeding the equivalent of \$139,000,000 and goods estimated to cost the equivalent of \$25,000 or more but not exceeding the equivalent of \$250,000, up to an aggregate not to exceed the equivalent of \$47,000,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

3. Subject to previous approval by the Bank, civil works may be carried out by Municipalities through force account provided that:

(a) the total cost of materials to be utilized in each civil work project so carried out shall not exceed the equivalent of \$150,000 (such materials to be procured as provided in this schedule); and

(b) the total cost of the civil works to be carried out through force account in a Province each year shall not exceed the equivalent of 10% of the total cost of the civil works to be carried out in the Province during such year under the Project.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract to be procured under International Competitive Bidding Procedures, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 to the Loan Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure. Such contracts shall be retained by each Province in accordance with the provisions of the Project Agreements.

2. The figure of 10% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

3. Notwithstanding the provisions of paragraph 1 above, the procedures set forth in paragraph 2 and 4 of Appendix 1 to the Guidelines shall apply each year to at least three civil works contracts and three contracts for goods not procured under International Competitive Bidding and randomly selected in each Province in accordance with procedures satisfactory to the Bank. The number of contracts to be reviewed by the Bank for each Province in accordance with this paragraph may be reduced by the Bank by notice to such Province. Such reduction to be based on the satisfactory performance by such Province of the obligations set forth or referred to in this Schedule.

Section II: Employment of Consultants

In order to assist each Province in carrying out the Project, each Province shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

