

CONFORMED COPY

LOAN NUMBER 4212-AR

Loan Agreement

(Small Farmer Development Project)

between

ARGENTINE REPUBLIC

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated May 6, 1998

LOAN NUMBER 4212-AR

LOAN AGREEMENT

AGREEMENT, dated May 6, 1998, between ARGENTINE REPUBLIC (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS 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; 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;

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 for Single Currency Loans" of the Bank, dated May 30, 1995, with the modification of Section 6.03 set forth below (the General Conditions) constitute an integral part of this Agreement: "Section 6.03. Cancellation by the Bank. If (a) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty days, or (b) at any time, the Bank determines, after consultation with the Borrower, that an amount of the Loan will not be required to finance the Project's costs to be financed out of the proceeds of the Loan, or (c) at any time, the Bank determines, with respect to any contract to be financed out of the proceeds of the Loan, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Loan during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the

Bank to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (d) at any time, the Bank determines that the procurement of any contract to be financed out of the proceeds of the Loan is inconsistent with the procedures set forth or referred to in the Loan Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (e) after the Closing Date, an amount of the Loan shall remain unwithdrawn from the Loan Account, or (f) the Bank shall have received notice from the Guarantor pursuant to Section 6.07 with respect to an amount of the Loan, the Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be cancelled."

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) "Beneficiary" means an individual or group carrying out a Subproject (as defined hereinafter);

(b) "DPyDA" means Dirección de Planeamiento y Desarrollo Agropecuario, the Directorate of Agricultural Planning and Development of SAGPyA (as hereinafter defined), or any successor department or agency of the Borrower, acceptable to the Bank;

(c) "Financial Services Agreement" means the agreement referred to in Section 3.04 (a) of this Agreement as accepted by the Bank;

(d) "Grants" means grants made by the Rural Investment Fund (as hereinafter defined) under Part A.1 of the Project;

(e) "Indigenous Peoples Strategy" means the activities with respect to indigenous peoples set forth in the annex entitled Estrategia de Pueblos Indígenas of the Operational Manual (as hereinafter defined);

(f) "Management Information System" means the management information system referred to in Section 3.03(d) of this Agreement as accepted by the Bank;

(g) "Monitoring Indicators" means the progress, performance and impact indicators set forth in an annex to the letter of even date with this Agreement from the Borrower to the Bank;

(h) "National Coordination Unit" means the central coordinating unit to be established and operated by SAGPyA (as defined hereinafter) in accordance with the provisions of Section 3.03(a) of this Agreement as accepted by the Bank;

(i) "NGO" means non-governmental organization;

(j) "Operational Manual" means the manual referred to in Section 3.03 (b) of this Agreement as accepted by the Bank;

(k) "Participation Action Plan" means the set of actions described in the annex entitled La Participación de los Beneficiarios of the Operational Manual;

(l) "Rural Development Commission" means the commission to be established pursuant to Section 3.03 (f) of this Agreement;

(m) "Rural Investment Fund" means the grant fund described in the Operational Manual to be established and operated under Part A.1 of the Project;

(n) "SAGPyA" means Secretaría de Agricultura, Ganadería, Pesca y Alimentación, the Borrower's Secretariat of Agriculture, Livestock, Fisheries and Food of the Borrower's Ministry of Economy, Public Works and Services or any successor department or agency of the Borrower, acceptable to the Bank;

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

(p) "Social Program for Agriculture" means the Borrower's Programa Social Agropecuario (PSA) established by Resolution No. 158/93 dated April 7, 1993 of the Secretary of the then-Secretariat of Agriculture, Livestock and Fisheries of the

Borrower;

(q) "Subproject" means any subproject to be financed by the Rural Investment Fund and approved in accordance with the provisions of the Operational Manual and this Agreement; and

(r) "UTCN" means Unidad Técnica de Coordinación Nacional, the technical unit for national coordination within SAGPyA that administers the Social Program for Agriculture, established by Resolution No. 702/43 of August 23, 1993 of the then-Secretariat of Agriculture, Livestock and Fisheries of the Borrower.

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 equal to seventy-five million Dollars (\$75,000,000).

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 Grants and the reasonable cost of goods and services required for Parts A.2, A.3, B and C of the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a special deposit account in Banco de la Nación Argentina on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2003 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 per cent ($3/4$ 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 for each Interest Period equal to LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

(i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.

(ii) "Interest Payment Date" means any date specified in Section 2.06 of this Agreement.

(iii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in Dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.

(iv) "LIBOR Total Spread" means, for each Interest Period: (A) one half of one percent ($1/2$ of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.05, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six months' notice to the Borrower of the new basis. The basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.06. Interest and other charges shall be payable on March 15 and September 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. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through SAGPyA with due diligence and efficiency and in conformity with appropriate administrative, financial, agricultural, environmental and participatory practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for Parts A.2, A.3, B and C of the Project and to be financed out of the proceeds of the Loan, and procurement of the goods, works and consultants' services required for Subprojects and to be financed by the Rural Investment Fund, shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. The Borrower, through SAGPyA, shall:

(a) provide a management structure for the Project acceptable to the Bank, including a National Coordination Unit with structure and functions acceptable to the Bank and to be staffed with key staff with terms of reference and qualifications and experience acceptable to the Bank;

(b) carry out all parts of the Project in accordance with an operational manual (including, with respect to Part A of the Project, eligibility criteria and environmental screening procedures) acceptable to the Bank;

(c) allocate the resources of the Rural Investment Fund on the basis of targeting described in the Operational Manual and approved by the Bank;

(d) install, and thereafter operate during the execution of the Project, a management information system acceptable to the Bank: (i) in the National Coordination Unit, in UTCN and in at least one provincial office of the Social Program for Agriculture, and in DPyDA; and (ii) within 180 days of the Effective Date, in all other remaining offices of the Social Program for Agriculture;

(e) assign, and thereafter maintain during the execution of the Project, staff in sufficient numbers and with appropriate qualifications and experience to:

(i) the Social Program for Agriculture for carrying out Part A of the Project and, in particular, for: (A) reviewing and appraising proposals for Subprojects; (B) providing support services including, inter alia, training and marketing assistance, under Part A.2 of the Project; and (C) providing the necessary administrative services for the execution of Part A of the Project, including, inter alia, preparation of annual operating plans and provision of financial management and supervision of all activities under Parts A.1 and A.2 of the Project; and

(ii) DPyDA for carrying out Part B of the Project;

(f) establish, and thereafter maintain during the execution of the Project, an advisory commission on rural development composed by representatives of SAGPyA's rural development programs, with functions and responsibilities acceptable to the Bank, in order to ensure, inter alia, proper coordination of all rural development activities in SAGPyA and the provision of advice to DPyDA for the execution of Part B of the Project; and

(g) forward to the Bank for its prior approval the relevant documentation for the first three proposed Subprojects in each of the following categories:

- (i) preinvestment services;
- (ii) production for household consumption;
- (iii) production for sale;
- (iv) community infrastructure; and
- (v) marketing.

For the purposes of this paragraph, the relevant documentation shall include:

- (i) the Subproject proposal;
- (ii) the proposed Subproject's evaluation report;
- (iii) the information provided by the Management Information System in respect of the proposed Subproject; and
- (iv) such other information as the Bank may reasonably request in respect of the proposed Subproject.

Section 3.04. (a) The Borrower, through SAGPyA, shall enter into an agreement satisfactory to the Bank with a financial services provider acceptable to the Bank for the operation of the disbursement function of the Rural Investment Fund.

(b) The Borrower shall not change or fail to enforce the Financial Services Agreement; provided, however, that, subject to the prior approval of the Bank, the Borrower may terminate the Financial Services Agreement and enter into several such agreements (on terms and conditions satisfactory to the Bank) with several financial services providers (acceptable to the Bank) if during the course of Project implementation continuation with one financial service provider should no longer appear to be the best solution for the provision of the services referred to in paragraph (a) of this Section.

Section 3.05. The Borrower, through the National Coordination Unit, shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Monitoring Indicators, the carrying out of the Project and the achievement of the objectives thereof;

(b) by November 15 of each year of Project execution, furnish to the Bank for its review and approval a draft annual work plan for the Project for the following year, said work plan to be prepared in accordance with the provisions of the Operational Manual, and thereafter carry out said work plan as approved by the Bank;

(c) by the 15th of each month during the execution of the Project, furnish to the Bank a monthly implementation report, in format and detail acceptable to the Bank, produced by the Management Information System;

(d) by March 15 and September 15 of each year of Project execution, furnish to the Bank a progress report on the execution of the Project during the previous semester ending December 31 and June 30, respectively, said reports to be of such scope and detail as the Bank shall have reasonably requested and to include: (i) the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section; and (ii) an update of the approved annual work plan referred to in paragraph (b) of this Section;

(e) not later than 30 months after the Effective Date, cause an independent agency or specialized firm acceptable to the Bank to prepare, under terms of reference satisfactory to the Bank, a report on the progress achieved in the carrying out of the Project since its beginning, including the results of: (i) the monitoring and

evaluation activities performed pursuant to paragraph (a) of this Section; and (ii) a Beneficiary survey and assessment, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of its objectives, and promptly forward such report to the Bank;

(f) review with the Bank, not later than 36 months after the Effective Date, the report referred to in paragraph (e) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of its objectives, based on the conclusions and recommendations of the said report and the Bank's views on the matter;

(g) contract qualified specialists acceptable to the Bank to carry out annually during the execution of the Project, under terms of reference acceptable to the Bank, implementation reviews of a representative sample of Subprojects, and provide a copy of the reports of such reviews to the Bank promptly upon their completion; such reviews to include, inter alia, compliance with targeting, Subproject evaluation, procurement and participation procedures, as specified in the Operational Manual; and

(h) prior to the completion of the Project cause an independent agency or specialized firm acceptable to the Bank to prepare, under terms of reference satisfactory to the Bank, a report on the progress achieved in the carrying out of the Project since its beginning, including the results of: (i) the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section; and (ii) a Beneficiary survey and assessment, such report to be sent to the Bank prior to the Closing Date.

Section 3.06. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the future operation of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and separate accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project, said accounts to be kept on the basis of an accounting plan and chart of accounts acceptable to the Bank and to be part of a financial management system acceptable to the Bank.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Account and the account referred to in Section 4.02 (a) of this Agreement, for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, 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.

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

(i) maintain or cause to be maintained, in accordance with

paragraph (a) of this Section, records and accounts reflecting such expenditures;

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

Section 4.02. Without limitation upon the provisions of Sections 3.01 and 4.01 (a) of this Agreement, the Borrower shall open, and thereafter maintain during the execution of the Project, a separate account under terms and conditions satisfactory to the Bank for the deposit and disbursement of the Borrower's counterpart contribution to the cost of the Project.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional event is specified, namely, that the Operational Manual, or any provision thereof, has been amended, suspended, abrogated, repealed or waived so as to affect, in the opinion of the Bank, materially and adversely the carrying out of the Project or any component thereof.

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 Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) 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 National Coordination Unit has been established and its key staff have been employed in accordance with the provisions of Section 3.03 (a) of this Agreement;
- (b) the Operational Manual has been issued;
- (c) the financial management system referred to in Section 4.01 (a) of this Agreement has been established and is operational;
- (d) the Management Information System has been installed and is operating in the units and entities referred to in Section 3.03 (d) (i) of this Agreement;
- (e) the first of the annual work plans referred to in Section 3.05 (b) of this Agreement is approved by the Bank; and
- (f) all action has been taken by the Borrower in order to permit the procurement of goods, works and services required for the Project in accordance with the provisions set forth or referred to in this Agreement.

Section 6.02. The date August 6, 1998, is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Economy and Public Works and Services 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 Economía
y Obras y Servicios Públicos
Hipólito Yrigoyen 250
Buenos Aires
Argentina

Cable address:

Telex:

MINISTERIO ECONOMIA
Baires

121942-AR

For the Bank:

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

Cable address:

Telex:

INTBAFRAD
Washington, D.C.

248423 (MCI); or
64145 (MCI)

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

ARGENTINE REPUBLIC

By /s/ Roque Fernández

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Myrna Alexander

Acting 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 Dollars)	% of Expenditures to be Financed
(1) Part A of the Project:		

(a)	Grants	57,700,000	85%
(b)	Goods	900,000	80%
(c)	Consultants' services	600,000	100%
(d)	Training	4,800,000	70%
(2)	Part B of the Project:		
(a)	Goods	300,000	80%
(b)	Consultants' services	5,900,000	100%
(c)	Training	300,000	70%
(3)	Part C of the Project:		
(a)	Goods	100,000	80%
(b)	Consultants' services (including auditing services)	2,000,000	100%
(4)	Unallocated	2,400,000	
	TOTAL	75,000,000	

2. For the purposes of this Schedule, the term "Training" means consultants' services, training materials, rental of facilities and other costs associated with the preparation and implementation of training activities.

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

(a) prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed \$7,500,000 may be made in respect of Categories 1 (b) and (c), 2 and 3 of the table in paragraph 1 of this Schedule on account of payments made for expenditures incurred within twelve months prior to the date of this Agreement but after July 1, 1997; and

(b) in respect of Category 1 (a) of the table in paragraph 1 of this Schedule until: (i) the Financial Services Agreement has been signed; and (ii) the Management Information System has been installed and is operational in all provincial offices of the Social Program for Agriculture.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for:

(a) goods under contracts costing less than \$100,000 equivalent;

(b) services of consulting firms under contracts costing less than \$100,000 equivalent and services of individual consultants and trainers under contracts costing less than \$50,000 equivalent; and

(c) Grants;

all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The principal objective of the Project is to increase productive and organizational capacity in targeted poor rural communities. The Project also aims to increase emphasis on rural poverty issues in sectoral policies and to improve coordination mechanisms at the national and provincial levels.

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: Rural Investment

1. Establishment and operation of a grant fund for the financing of demand-based, small-scale, self-help subprojects in targeted poor rural communities, including: (a) the provision of pre-investment technical assistance; (b) diversification of production in household gardens and development of community organizational skills; (c) execution of commercially-oriented technology transfer and marketing projects for group-based small rural enterprises; (d) rehabilitation and construction of small community infrastructure such as community marketing and storage facilities; and (e) the provision of marketing technical assistance.

2. Strengthening of poor rural communities, through: (a) training of Beneficiaries and technical assistance providers; (b) development of a marketing information system; and (c) implementation of the Participation Action Plan and the Indigenous Peoples Strategy.

3. Strengthening of SAGPyA's institutional capability to carry out, under the Social Program for Agriculture, Parts A.1 and A.2 of the Project through: (a) the provision of specialized technical assistance and the upgrading of the equipment and operation of the national and provincial offices for the Social Program for Agriculture; and (b) the formation and operation, on a pilot basis, of local units to further decentralize certain functions such as Project promotion, Beneficiary eligibility screening, and Subproject pre-evaluation and supervision.

Part B: Strengthening of Rural Development Policy Formulation

1. Strengthening of national policy development through: (a) the carrying out of surveys and studies; (b) the establishment of a data base of rural development programs and characteristics of poor rural communities and households; and (c) the provision of technical support to the Rural Development Commission.

2. Strengthening of provincial policy development through the provision of demand-driven technical assistance and equipment for the preparation of provincial rural development strategies and projects.

3. Training of government staff (at the national, provincial, and municipal level), representatives of NGOs and other institutions which provide rural development services, in priority areas such as project and policy formulation, implementation, monitoring and evaluation.

4. Development and dissemination of appropriate technologies for poor rural communities through: (a) the execution of studies: (i) to identify and catalogue existing information on appropriate technology for poor rural communities, and (ii) to identify the needs of rural communities; and (b) the provision of competitive research grants to finance the development of appropriate technology packages in priority areas.

5. Institutional strengthening of DPyDA through the provision of specialized technical assistance and equipment for the carrying out of Part B of the Project.

Part C: Project Administration, Monitoring and Evaluation

Establishment and operation of a national coordination unit for the provision of: (a) overall coordination of the Project; (b) monitoring and evaluation of all Project activities; (c) promotion of the Project; and (d) administrative support for Project procurement, disbursements, accounting and reporting.

* * *

The Project is expected to be completed by December 31, 2002.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in Dollars)*
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On each March 15 and September 15

beginning March 15, 2003
through September 15, 2012

\$3,750,000

* The figures in this column represent the amount in Dollars to be repaid, except as provided in Section 4.04 (d) of the General Conditions.

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B:

(a) Grouping of Contracts

To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$350,000 or more each.

(b) Preference for Domestically Manufactured Goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Except as provided in paragraph 3 of this Part C, goods estimated to cost less than \$350,000 equivalent per contract, up to an aggregate amount not to exceed \$900,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) In the procurement of goods in accordance with the provisions of paragraph (a) above, standard bidding documents satisfactory to the Bank shall be used.

(c) To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

2. Shopping

Except as provided in paragraph 4 of this Part B, goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$800,000 equivalent, may be procured under contracts awarded on the basis of shopping

procedures acceptable to the Bank in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement for Subprojects under Part A.1 of the Project

(a) Except as set forth in paragraph (c) below, goods for Subprojects estimated to cost less than \$100,000 equivalent per contract shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

(b) Except as set forth in paragraph (c) below, works for Subprojects estimated to cost less than \$100,000 equivalent per contract shall be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

(c) Goods estimated to cost less than \$5,000 equivalent per contract and works estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount for both goods and works not to exceed \$20,000,000 equivalent, for which three quotations cannot be obtained due to the isolation of the rural community, may be procured under contracts awarded on the basis of direct contracting.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

The procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply with respect to each contract for goods estimated to cost \$100,000 equivalent or more.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection under a Fixed Budget

Services for provincial assistance strategy studies, rural surveys, mid-term and final evaluations, and Project dissemination strategy, up to an aggregate amount not to exceed \$1,200,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraph 3.1 and 3.5 of the Consultant Guidelines.

2. Least-cost Selection

Services for auditing and procurement reviews, up to an aggregate amount not to exceed \$100,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Selection Based on Consultants' Qualifications

Services for software design, provincial assistance strategy studies, and SAGPyA strategy studies, up to an aggregate amount not to exceed \$1,200,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

4. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.01 of the Consultant Guidelines, up to an aggregate amount not to exceed \$6,000,000 equivalent, shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

5. Other

Services for appropriate technology grants, up to an aggregate amount not to exceed \$2,000,000 equivalent, may be procured under contracts awarded in accordance with the procedures set forth in the Operational Manual.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$20,000 or more, but less than the equivalent of \$100,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$20,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

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 equal to \$6,000,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equal to \$3,000,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed \$10,000,000.

2. 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 shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, 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) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid 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 amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, 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

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Borrower of its

intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, less 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 equal twice the amount of the Authorized Allocation.

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 an expenditure or in an 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: (A) provide such additional evidence as the Bank may request; or (B) 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. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(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.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

