

CONFORMED COPY

LOAN NUMBER 4150-AR

Loan Agreement

(Provincial Agricultural Development Project)

between

ARGENTINE REPUBLIC

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated January 20, 1998

LOAN NUMBER 4150-AR

LOAN AGREEMENT

AGREEMENT, dated January 20, 1998, between 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 Borrower has contracted from Inter-American Development Bank (IDB) a loan in an amount equivalent to \$125,000,000 (the IDB Loan) to assist in financing the Project on the terms and conditions set forth in an agreement dated March 26, 1996 between the Borrower and IDB; 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) "Chart of Accounts" means the chart of accounts referred to in Section 4.01 (a) of this Agreement;
- (b) "Common Accounting Plan" means the accounting plan referred to in Section 4.01 (a) of this Agreement;
- (c) "Environmental Manual" means the manual referred to in Section 3.07 of this Agreement;
- (d) "EPDA" means Entidad de Programación del Desarrollo Agropecuario, the agency in charge of Project coordination in a Participating Province (as hereinafter defined);
- (e) "Implementation Letter" means the letter of even date with this Agreement from the Borrower to the Bank;
- (f) "Government Agencies" means ministries, secretariats and decentralized agencies of the Borrower involved in the execution of the Project;
- (g) "Monitoring Indicators" means the performance and impact indicators set forth in an Annex to the Implementation Letter;
- (h) "National Subprojects" means Subprojects (as hereinafter defined) of national or regional importance carried out by the Borrower or by decentralized agencies of the Borrower;
- (i) "Operational Manual" means the manual referred to in Section 3.07 of this Agreement;
- (j) "Participating Province" means any province of the Borrower which enters into a Subsidiary Loan Agreement (as hereinafter defined) for the execution of a Subproject (as hereinafter defined);
- (k) "Provincial Eligibility Criteria" means the eligibility criteria set forth in Part II of Schedule 6 to this Agreement;
- (l) "Provincial Subprojects" means Subprojects (as hereinafter defined) carried out by Participating Provinces;
- (m) "SAGPyA" means Secretaría de Agricultura, Ganadería, Pesca y Alimentación, the Borrower's Secretariat of Agriculture, Livestock, Fisheries and Food;
- (n) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
- (o) "Subproject" means a subproject for water resource management, rural infrastructure, technology development and transfer, animal and plant health, market

development, agricultural information, provincial agricultural institution building, production and regulation of food products, or for another agricultural development activity, that meets the objectives of the Project as set forth in Schedule 2 to this Agreement and the Subproject Eligibility Criteria (as hereinafter defined), and that has been approved by the Borrower and the Bank;

(p) "Subproject Eligibility Criteria" means the criteria for eligibility of subprojects set forth in the Operational Manual;

(q) "Subsidiary Loan" means a loan provided under a Subsidiary Loan Agreement (as hereinafter defined);

(r) "Subsidiary Loan Agreement" means an agreement entered into between the Borrower and a Participating Province in accordance with Section 3.01 (b) of this Agreement;

(s) "Total Project Cost" means, unless the Bank otherwise agrees, \$357,200,000 equivalent;

(t) "UEC" means Unidad Ejecutora Central, the unit referred to in Section 3.05 of this Agreement; and

(u) "UEP" means Unidad Ejecutora de Proyectos, the executing units established or to be established and maintained for the purpose of coordinating and supervising the execution of National Subprojects or Provincial Subprojects.

## 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 one hundred twenty-five million Dollars (\$125,000,000).

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 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, 2004 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 (6) 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 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. (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, shall carry out Part A (1) and Part B of the Project through SAGPyA, and shall cause the Participating Provinces to carry out Part A (2) of the Project, with due diligence and efficiency and in accordance with appropriate administrative, financial, engineering, environmental and agricultural practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower shall relend part of the proceeds of the Loan to the Participating Provinces under subsidiary loan agreements to be entered into between the Borrower and each of the Participating Provinces under terms and conditions which shall have been approved by the Bank and which shall include those set forth in Part I of Schedule 6 to this Agreement.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreements in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, shall not assign, amend, abrogate or waive any of 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 4 to this Agreement.

Section 3.03. 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.

Section 3.04. The Borrower, through the UEC, 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 October 31 of each year of Project execution, furnish to the Bank for its review and approval a draft annual work plan and proposed budget for the Project for the following year;

(c) by March 31 and September 30 of each year of Project execution, furnish to the Bank a progress report on the execution of the Project, 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 and budget referred to in paragraph (b) of this Section, and thereafter discuss said reports jointly with the Bank and the IDB in order to analyze problems and proposed solutions and to review the pipeline of proposed subprojects;

(d) cause an independent agency or specialized firm acceptable to the Bank to prepare, under terms of reference satisfactory to the Bank, and to furnish to the Bank on or about March 31, 2000, a report on the progress achieved in the carrying out of the Project since its beginning, including the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of its objectives; and

(e) review with the Bank, by June 30, 2000, or such later date as the Bank may request, the report referred to in paragraph (d) 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.

Section 3.05. The Borrower, through SAGPyA, shall establish, and thereafter maintain during the execution of the Project, a central unit (UEC) for the overall management, financial administration, and monitoring of the Project, said unit to have an organization acceptable to the Bank and to have staff with qualifications, experience and terms of reference acceptable to the Bank.

Section 3.06. When presenting a subproject for approval, the Borrower, through UEC, shall furnish to the Bank an application, in form satisfactory to the Bank, including:

(a) an appraisal of the subproject as provided in the Operational Manual, including a description of the expenditures proposed to be financed out of the proceeds of the Loan, a copy of the feasibility study and engineering designs, and the cost recovery proposal;

(b) evidence that the Subproject Eligibility Criteria have been met;

(c) a copy of the environmental assessment, environmental mitigation plan, and such other assessments and mitigations plans as may be called for by the Environmental Manual and the Operational Manual under the circumstances of the proposed subproject;

(d) evidence that UEC has completed its review process and has given its technical clearance to the proposed subproject; and

(e) in the event the proposed subproject would be a Provincial Subproject:

(i) a draft of the subsidiary loan agreement;

(ii) evidence that the Provincial Eligibility Criteria are met;

(iii) evidence that adequate institutional arrangements exist for the execution of the proposed subproject; and

(iv) evidence that sufficient counterpart funds will be available for the first year of execution of the proposed subproject.

Section 3.07. The Borrower, through SAGPyA, shall ensure that all National

Subprojects are carried out, and shall cause the Participating Provinces to carry out all Provincial Subprojects, in accordance with an operational manual and an environmental manual for this Project acceptable to the Bank and in accordance with the information and supporting documentation provided to the Bank pursuant to Section 3.06 of this Agreement.

Section 3.08. The Borrower, through the UEC, shall ensure that all contracts for the execution of applied research, rural extension and technology transfer shall be awarded on the basis of the selection criteria, approval process and form of contract satisfactory to the Bank.

Section 3.09. The Borrower shall ensure that, unless the Bank otherwise agrees, the total cost of Provincial Subprojects to be implemented by a single Participating Province shall not exceed twenty-five percent of Total Project Cost and that the total cost of National Subprojects shall not exceed thirty percent of Total Project Cost.

#### 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 by all Government Agencies and Participating Provinces on the basis of a common accounting plan and chart of accounts 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 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.

#### ARTICLE V

##### Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the

following additional events are specified:

(a) any Participating Province has failed to perform any of its obligations under a Subsidiary Loan Agreement;

(b) 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; and

(c) the Environmental Manual, or any provision thereof, has been amended, suspended, abrogated, repealed or waived without the prior agreement of the Bank.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified: that any event specified in paragraphs (a), (b) and (c) of 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 UEC has been established and its key staff have been employed in accordance with the provisions of Section 3.05 of this Agreement;

(b) the monitoring and evaluation system referred to in Section 3.04 (a) of this Agreement, the Operational Manual, the Environmental Manual, the Chart of Accounts and the Common Accounting Plan have been finalized and are acceptable to the Bank; and

(c) all action has been taken by the Borrower in order to permit the procurement of goods, works and services required for the Project and to be financed out of the proceeds of the Loan in accordance with the provisions set forth or referred to in this Agreement.

Section 6.02. The date April 20, 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:

MINISTERIO ECONOMIA  
Baires

Telex:

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:

INTBAFRAD  
Washington, D.C.

Telex:

248423 (MCI)  
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 Buenos Aires, Argentina, as of the day and year first above written.

ARGENTINE REPUBLIC

By /s/ Roque Benjamín 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) Civil Works	40,000,000	80%
(b) Goods	16,000,000	100% of foreign expenditures and 80% of local expenditures
(c) Consultants' services and training	28,000,000	100%
(d) Incremental recurrent costs	18,000,000	75% up to \$6,000,000 disbursed; 50% thereafter up to an aggregate of \$12,000,000 disbursed; 25% thereafter up to an aggregate of \$18,000,000 disbursed



(2)	Part B of the Project:		
(a)	Consultants' services and training	10,000,000	100%
(b)	Incremental recurrent costs	3,000,000	75% up to \$1,000,000 disbursed; 50% thereafter up to \$2,000,000 disbursed; 25% thereafter up to \$3,000,000 disbursed
(3)	Unallocated	10,000,000	
	TOTAL	125,000,000	

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 supplied from the territory of any country other than that of the Borrower;

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

(c) the term "incremental recurrent costs" means the cost of insurance, utilities, repairs and maintenance, salaries of incremental staff and travel for the execution of Project activities by Government Agencies.

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, in an aggregate amount not to exceed \$6,000,000 may be made in respect of Categories (1) and (2) of the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after February 12, 1996; and

(b) expenditures under Category (1) of the table in paragraph 1 of this Schedule unless:

(i) the Borrower and the Bank have approved the Subproject; and

(ii) for Provincial Subprojects:

(A) the Participating Province has entered into a Subsidiary Loan Agreement with the Borrower, and the Bank has received an opinion or opinions satisfactory to the Bank of counsel acceptable to the Bank, showing, on behalf of the Borrower and the Participating Province, that: (1) the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Participating Province and the Borrower, and is legally binding upon them in accordance with its terms; and (2) that all action referred to in subparagraph (C) below has been taken;

(B) the Participating Province has established, staffed and funded the EPDA and UEP in accordance with the Provincial Subproject proposal and an agreement for the execution of the Provincial Subproject acceptable to the Bank has been entered into between EPDA and UEP; and

(C) the Participating Province has taken all action necessary to permit the procurement of goods, works and consultants' services required for a Provincial Subproject and to be financed under a Subsidiary Loan in accordance with the provisions set forth or referred to in the Loan Agreement.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for goods under contracts costing less than \$100,000 equivalent, for works under contracts costing less than \$350,000 equivalent, for services of consulting and training firms under contracts costing less than \$100,000 equivalent and services of individual consultants and trainers under contracts costing less than \$30,000 equivalent, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are: (a) to increase and to diversify agricultural production and exports; (b) to increase and to stabilize agricultural incomes for about 120,000 small and medium-sized commercial farms; (c) to improve the effectiveness of basic agricultural support services so as to increase international competitiveness of agricultural products; (d) to improve rural productive infrastructure so as to reduce production costs and to improve conservation and management of natural resources; (e) to strengthen national and provincial institutional capacity to formulate and analyze agricultural development policy and to identify, prepare and implement investment projects; and (f) to rationalize public investments and to promote an expanded private sector role in agricultural development.

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: Subprojects

- (1) Carrying out of National Subprojects.
- (2) Carrying out of Provincial Subprojects.

#### Part B: Institutional Strengthening and Project Management

Strengthening of national and provincial capabilities to develop and implement efficient systems for formulation and analysis of agricultural policies, and to identify, prepare and implement programs and projects through, inter alia:

(a) at the national level establishment of: (i) operational mechanisms among SAGPyA and other Government Agencies in order to improve coordination; and (ii) processes and procedures to improve the generation, execution and analysis of agricultural policies, programs and projects;

(b) at the provincial level: (i) improvement of the definition of the functions of provincial agricultural public sector agencies and improvement of coordination among them; and (ii) establishment of processes and procedures to improve the generation, execution and analysis of agricultural policies, programs and projects, including definition of the role of provincial public sector agencies in the preparation and execution of Subprojects and preparation of implementation arrangements among the entities involved; and

(c) at the operational level: coordination, management, monitoring and evaluation of the Project, at both the national and provincial levels.

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The Project is expected to be completed by December 31, 2003.

## SCHEDULE 3

### Amortization Schedule

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

beginning September 15, 2002  
through March 15, 2012

6,250,000

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\* 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 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 and works 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 and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

###### Notification and Advertising

1. The invitation to prequalify or bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

###### 2. Prequalification

Bidders for works estimated to cost \$10,000,000 equivalent or more shall be prequalified in accordance with the provisions of paragraphs 2.09 and 2.10 of the Guidelines.

###### 3. Grouping of contracts

To the extent practicable, contracts for goods and works shall be grouped into bid packages estimated to cost the equivalent of, respectively, \$350,000 equivalent and \$5,000,000 equivalent or more each.

4. 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. Limited International Bidding

Goods estimated to cost less than \$350,000 equivalent per contract but more than \$100,000, up to an aggregate amount not to exceed \$1,500,000 equivalent, which the Bank agrees can only be purchased from a limited number of suppliers with established service and maintenance facilities in Argentina, may be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

2. National Competitive Bidding

(a) Goods (other than those subject to Part C.1 hereof) estimated to cost less than \$350,000 equivalent per contract, up to an aggregate amount not to exceed \$13,000,000 equivalent, and works estimated to cost less than \$5,000,000 equivalent per contract, up to an aggregate amount not to exceed \$22,900,000 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 and works in accordance with the provisions of paragraph (a) above, standard bidding documents satisfactory to the Bank shall be used.

3. International or National Shopping

Goods (other than computers, vehicles and equipment for civil works) estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$14,800,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. Procurement of Small Works

Works estimated to cost less than \$350,000 equivalent per contract, up to an amount not to exceed \$8,200,000 equivalent, may 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.

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

With respect to each contract for goods and each contract for works estimated to cost the equivalent of, respectively, \$100,000 and \$350,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

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

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions 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 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Bank shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to: (a) contracts for the employment of firms of consultants and auditors estimated to cost less than \$100,000 equivalent each; or (b) contracts for the employment of individuals estimated to cost less than \$30,000 equivalent each. However, said exceptions to prior Bank review shall not apply to: (a) the terms of reference for such contracts; (b) single-source selection of consulting firms; (c) assignments of a critical nature, as reasonably determined by the Bank; (d) amendments to contracts for the employment of consulting or auditing firms raising the contract value to \$100,000 equivalent or above; or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$30,000 equivalent or above.

#### SCHEDULE 5

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (2) 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, works 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 of \$8,000,000 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 of \$4,000,000 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 equivalent 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 the equivalent of 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.

#### SCHEDULE 6

##### Subsidiary Loan Agreements and Provincial Eligibility Criteria

##### Part I: Terms and Conditions of Subsidiary Loan Agreements

The terms and conditions of Subsidiary Loan Agreements shall include:

1. The Subsidiary Loan shall be used exclusively for the financing of Provincial Subprojects.
2. The Subsidiary Loans shall have a term of 18 years, carry an interest rate that is the average of the interest charged from time to time by the Bank on the Loan and by the Inter-American Development Bank on the IDB Loan, and carry a commitment fee at the average of the rates and under the same conditions as applicable to the Loan and the IDB Loan. Withdrawals from the Loan Account for the purposes of Provincial Subprojects shall also be deemed to be withdrawals from the account established on the books of the Borrower for the Subsidiary Loan. The Subsidiary Loans shall be repaid, together with interest and other charges, on the same terms and conditions as are applicable to the Loan and the IDB Loan.
3. The Participating Province shall declare its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement and shall carry out the Provincial Subprojects with due diligence and efficiency, in accordance with appropriate administrative, financial, engineering, environmental and agricultural practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Provincial Subprojects.
4. The Participating Province shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan and, except as the Bank shall otherwise agree, shall not assign, amend, abrogate or waive any of the provisions of the Subsidiary Loan Agreement.
5. The Participating Province shall carry out the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Provincial Subprojects.
6. The Participating Province shall procure goods, works and consultants' services, and shall maintain records and separate accounts in respect of the Provincial Subprojects, all as provided in the Loan Agreement.
7. The Participating Province shall, with respect to the Provincial Subprojects, cooperate with the Borrower so as to enable the Borrower to meet its obligations under Sections 3.03, 3.04, 3.06, 3.07, 3.08 and 4.01 of the Loan Agreement.
8. The payment obligations of the Participating Province shall be secured by its co-participation funds as set forth in the Borrower's law no. 23548.

Part II: Provincial Eligibility Criteria

Provinces of the Borrower shall be able to participate in Part A (2) of the Project provided that:

1. They meet the creditworthiness criteria set forth in the Operational Manual.
2. With respect to Provincial Subloans for technical assistance and institutional strengthening:
  - (a) the provincial legislature has approved the Subloan; and
  - (b) the province has an adequately staffed provincial agricultural authority, legally and technically capable of administering the Provincial Subproject and the Subsidiary Loan.
3. With respect to Provincial Subloans for investment subprojects, in addition to the criteria listed in paragraph 2 above, the province shall:
  - (a) have a surplus in the provincial current account of the last executed budget period; and
  - (b) meet the debt service criteria set forth in the Operational Manual.
4. A Province that cannot satisfy the criteria under paragraph 3 above will be eligible to receive a Provincial Subloan for rehabilitation of existing infrastructure provided that it has a written agreement with the Borrower to implement a provincial reform program, acceptable to the Bank, demonstrating that the province will be in a

position to meet the criteria set forth in paragraph 3 above within a specified time.

