

The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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April 22, 2003

Mr. Roberto Lavagna
Minister of Economy
Ministry of Economy
Hipólito Irigoyen 250
1310 Buenos Aires, Argentina

Re: **ARGENTINA** – Provincial Reform Loan- Córdoba
(Loan No. 4585-AR)

Amendment to Loan Agreement

Dear Minister Lavagna:

Please refer to the Loan Agreement (Loan No. 4585-AR) dated July 17, 2001 entered into between the Argentine Republic (the Borrower) and the International Bank for Reconstruction and Development (the Bank).

In response to the Borrower's request of March 21, 2003 to, *inter alia*: (a) request waivers and/or amendments of certain second and third tranche conditions; and (b) extend the Closing Date to December 31, 2003, the Bank hereby agrees to amend the Loan Agreement mentioned above, as follows:

I. **Loan Agreement:**

1. Whereas clauses (A), (B) and (D) are hereby amended to read in their entirety as follows:

“WHEREAS (A) the Bank has received a letter, dated March 31, 2003, from the Argentine Republic's Province of Córdoba (the Province) describing a revised program of actions, objectives and policies designed to achieve adjustment of the public finances, public administration and social sector of the Province (hereinafter called the Revised Program), declaring the Province's commitment to the execution of the Revised Program, and requesting assistance from the Bank in support of the Revised Program during the execution thereof;

(B) the Borrower has indicated to the Bank that the actions and conditions set forth in the Revised Program and in Schedules 3, 4 and 5 to this Agreement, described therein as agreed between the Province and the Bank, are consistent with the Borrower's national policy framework regarding provincial reforms;

(D) on the basis, *inter alia*, of the foregoing, the Bank has decided in support of the Revised Program to provide such assistance to the Province by making the Loan to the Borrower in four tranches as hereinafter provided, thus allowing the Borrower to lend to the Province the funds in local currency referred to above;”.

2. The term “Program”, wherever it appears, is hereby replaced with the term “Revised Program”.

3. Section 1.02 is hereby amended to read in its entirety as set forth in Attachment I.
4. In paragraph “(d)” and subparagraph “(d) (ii)” of Section 2.02 the term “Floating Tranche” is hereby replaced with the term “Second Tranche”.
5. Subparagraph “(e) (i) of Section 2.02” is hereby amended to read in its entirety as follows:
 - “(i) the amount of the Second Tranche has been disbursed by the Bank to the Borrower; and”.
6. A new subparagraph (f) is added to Section 2.02 which shall read as follows:

“(f) No withdrawals shall be made from the Loan Account in respect of the Fourth Tranche unless:

 - (i) the amount of the Third Tranche has been disbursed by the Bank to the Borrower; and
 - (ii) the Bank shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Bank:
 - (A) with the progress achieved by the Province in the carrying out of the Revised Program;
 - (B) that the macroeconomic policy framework of the Borrower is satisfactory to the Bank; and
 - (C) that the actions described in Schedule 5 to this Agreement (all of which have been agreed to by the Province and are consistent with the Borrower’s policy framework regarding provincial reforms) have been taken in form and substance satisfactory to the Bank. If, after said exchange of views, the Bank shall have given notice to the Borrower that the applicable conditions referred to in this paragraph have not been fulfilled and, within 90 days after such notice, such conditions continue to be unfulfilled, then the Bank may, by notice to the Borrower, cancel the amount of the Fourth Tranche.”.
7. Section 2.03 is hereby amended to read in its entirety as follows:

“Section 2.03. The Closing Date shall be December 31, 2003 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.”.
8. Paragraph (b) of Section 3.01 is hereby amended to read in its entirety as follows:

“(b) Prior to each such exchange of views, as well as every three months from the Effective Date to the Fourth Tranche Release Date, the Borrower shall, pursuant to the terms of the Subloan Agreement, cause the Province to furnish to the Bank for the Bank’s review and comment a report on the progress achieved in carrying out the Revised Program, in such detail as the Bank shall reasonably request.”.

9. Schedule 3 is hereby amended to read in its entirety as set forth in Attachment II to this Amendment Letter.

10. Schedule 4 is hereby amended to read in its entirety as set forth in Attachment III to this Amendment Letter.

11. A new Schedule 5 is hereby added to read as set forth in Attachment IV.

II. **Effectiveness:**

Please confirm your agreement to the foregoing amendments by signing and dating this letter in the spaces provided below. This Amendment Letter will be executed in two counterparts, each of which shall be an original. Upon your confirmation, please return one fully executed original to us. The provisions of this Amendment Letter will become effective as of the date first above written upon receipt by the Bank of:

(a) one fully executed original of this Amendment Letter; and

(b) evidence, acceptable to the Bank, that the Subloan Agreement has been amended in accordance with the terms of this Amendment Letter.

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

/s/Ariel Fiszbein
Acting Director
Country Management Unit
Argentina, Chile, Paraguay and Uruguay
Latin America and the Caribbean Region

AGREED AND CONFIRMED:

ARGENTINE REPUBLIC

By: /s/Roberto Lavagna
Authorized Representative

Name: Roberto Lavagna

Date: April 24, 2003

Attachment I**Loan No. 4585-AR**

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) "BPC" means *Banco de la Provincia de Córdoba*, Córdoba Province Bank;
- (b) "Deposit Account" means the account referred to in Section 2.02 (a) of this Agreement;
- (c) "First Tranche" means the portion of the Loan, not exceeding \$103,000,000 (including the fee referred to in Section 2.04 of this Agreement), to be released by the Bank to the Borrower (or paid by the Bank to itself in the case of said fee) upon compliance with the effectiveness conditions set forth or referred to in Sections 5.01 and 5.02 of this Agreement and Sections 12.01 and 12.02 of the General Conditions;
- (d) "Fourth Tranche" means the portion of the Loan, not exceeding \$75,000,000 to be released by the Bank to the Borrower upon compliance with the conditions set forth or referred to in Section 2.02 (f) of this Agreement;
- (e) "Fourth Tranche Release Date" means the date on which the Bank sends the Borrower a notice to the effect that the conditions set forth or referred to in Section 2.02 (f) of this Agreement have been met;
- (f) "Second Tranche" means the portion of the Loan, not exceeding \$100,000,000 to be released by the Bank to the Borrower upon compliance with the conditions set forth or referred to in Section 2.02 (d) of this Agreement;
- (g) "Second Tranche Release Date" means the date on which the Bank sends the Borrower a notice to the effect that the conditions set forth or referred to in Section 2.02 (d) of this Agreement have been met;
- (h) "Subloan Agreement" means an agreement between the Borrower and the Province, satisfactory to the Bank, whereby, inter alia, the Borrower agrees to lend to the Province funds in local currency, in amounts equivalent to the amounts of the Loan disbursed by the Bank and on terms identical to those indicated for the Loan in Sections 2.03 through 2.08 of this Agreement;
- (i) "Third Tranche" means the portion of the Loan, not exceeding \$25,000,000 to be released by the Bank to the Borrower upon compliance with the conditions set forth or referred to in Section 2.02 (e) of this Agreement; and
- (j) "Third Tranche Release Date" means the date on which the Bank sends the Borrower a notice to the effect that the conditions set forth or referred to in Section 2.02 (e) of this Agreement have been met.”.

“SCHEDULE 3

Provincial Actions Referred to in Section 2.02 (d) (ii) (C) of this Agreement

Public Finances

1. Subparagraph (a) is hereby deliberately left blank.

(b) The Province has attained for year 2002 (as confirmed by the Borrower in writing to the Bank), a provincial public sector deficit equal to, or less than, fifty percent of the provincial public sector deficit in year 2001. For purposes of this paragraph:

- (i) "provincial public sector" means all components of the provincial public sector (except for parastatal enterprises and social security entities) for which funding is allocated as part of the annual consolidated provincial budgets approved by the Province's legislature; and
- (ii) "deficit" means the amount by which total provincial public sector revenues (i.e., current revenues, which revenues are hereby defined to mean: (A) revenues from taxes; (B) non-tax revenues from the sale of goods and services and from property rentals; and (C) revenues from all federal revenue-sharing transfers, plus capital revenues, minus revenues obtained by the Province from privatizations and concessions of its assets) are less than total provincial public sector expenditures (i.e., current expenditures, which expenditures are defined to mean expenditures incurred for payment of personnel, expenditures incurred for the use of goods, facilities and services, expenditures incurred for interest on public sector debts and transfers for which there is no consideration (excluding severance payments made to personnel departing from the provincial public sector, plus capital expenditures, minus expenditures incurred by the Province with regard to privatizations and concessions of its assets)).¹

2. (a) The Province has entered into a bilateral accord (*Convenio Bilateral*) with the Borrower for the year 2003 (within the framework provided by the Borrower's Decrees Nos. 2263/2002 of November 8, 2002 and 297/2003 of February 17, 2003 (*Programa de Financiamiento Ordenado de las Finanzas Provinciales*) to, *inter alia*, reduce its provincial public sector deficit and attain fiscal equilibrium in accordance with the quarterly targets set forth therein; and (b) the Province's legislature has approved said bilateral accord, and said accord is in full force and effect.

Banking Sector

3. (a) BPC has employed a consulting firm, acceptable to the Bank, under terms and conditions, acceptable to the Bank (which terms include terms of reference for the diagnostic mentioned herein) to carry out a comprehensive financial, operational and institutional diagnostic to: (i) identify, *inter alia*:

¹ For purposes of this subparagraph (b) (ii), capital expenditures do not include amortization costs even though such costs are considered to be capital expenditures according to accounting principles commonly applied in the United States of America.

BPC's financial, operational and institutional strengths and weaknesses, including a review of the cost efficiency and effectiveness of its operations; and (ii) provide alternatives for the design and implementation of a time bound comprehensive plan for transforming BPC into a viable and profitable institution.

(b) BPC has initiated the selection process to employ an entity to manage BPC's residual assets through the issuance of a request for proposals.

(c) The Borrower's Central Bank, through the Superintendency of Banks, has furnished to the BPC a letter: (i) describing the main contents of BPC's *Plan de Regularización y Saneamiento*; and (ii) informing BPC that some of the proposed actions set forth in said plan need to be revised by BPC before BPC is authorized to carry out said plan.

Power Sector

4. (a) The Province's legislature has approved new by-laws for the Province's electric power utility (*Empresa Provincial de la Energía de Córdoba-EPEC*) which by-laws provide EPEC to, *inter alia*, enter into periodic performance contracts with the Province.

(b) The Province has granted concession contracts to at least 50% of the private electric cooperatives which have the legal capacity to sign a concession contract and are registered in the Province's power sector regulatory public agency referred to in paragraph 5 (a) of this Schedule.

(c) EPEC has created and fully staffed a special environmental unit.

5. (a) A power sector regulatory public agency, established through legislation of the Province, is fully staffed and operating with sufficient budget and appropriate written internal rules and procedures.

(b) The power sector regulatory agency mentioned in paragraph 5 (a) of this Schedule has: (i) issued and/or is applying written regulations on subsidies in the power sector, including principles for allocation of resources received from the Tariff Compensation Fund (*Fondo Subsidiario para Compensaciones Regionales de Tarifas a Usuarios Finales* created by Article 70 of the Borrower's law no. 24065); and (ii) prepared and furnished to the Bank a plan to gradually adjust the structure of EPEC's electricity tariffs to the structure originally designed to be applied after EPEC privatization, as said tariff structure is furnished by the Borrower in writing to the Bank."

Social Sector

6. Continued compliance by the Province with the commitments, set forth in the Province's October 6, 2000 document entitled *Planilla de Cumplimiento de Condicionalidad para el Banco Mundial en Materia de Gastos Sociales*, regarding the budgets of its Ministry of Solidarity (currently Córdoba Solidarity Agency –*Agencia Córdoba Solidaria*) and its Ministry of Production (currently Ministry of Production and Finance- *Ministerio de la Producción y Finanzas*, as well as (if the Second Tranche Release Date falls after 2001) allocation in each of the Province's post-2001 annual budgets for said Agency and Ministry, including the budgets for the year in which the Second Tranche Release Date falls, of amounts no less than those set forth in said *Planilla*.

“SCHEDULE 4

Provincial Actions Referred to in Section 2.02 (e) (ii) (C) of this Agreement

Public Finances

1. A system is operational, and being implemented, throughout the Province and for all provincially-collected taxes, to reconcile tax amounts declared and paid by taxpayers with tax amounts actually deposited by banks, on behalf of those taxpayers, in the Province’s tax accounts.
2. A system is operational, and being implemented, throughout the Province and for all provincially-collected taxes, to track each taxpayer through an identification code (*Clave Única de Identificación Tributaria; CUIT*) assigned to each taxpayer.
3. A system is operational, and being implemented, throughout the Province and for all provincially-collected taxes, to monitor the tax return filing and tax payment obligations of all large taxpayers in the Province (for purposes of this paragraph, large taxpayers are defined to include those with annual sales (net of value added tax) greater than 2.4 million Argentine pesos, those with more than fifty employees, and those who act as provincial tax withholding agents).
4. A system is operational, and being implemented, throughout the Province and for all provincially-collected property (realty and personalty) taxes, to identify property owners in the Province using an identification code (*Clave Única de Identificación Tributaria; CUIT*) assigned to each taxpayer.
5. At least sixty-six percent (66%) of all real estate properties, for which transactions were recorded in the Province’s real estate property registry from the beginning of 1969 onwards, are indexed in said registry’s computerized data base according to the folio real system, whereby such properties can be found and researched in the registry according to their location as opposed to according to their buyers/sellers.

Public Administration

6. The Province has completed its census of all provincial public sector full- and part-time employees (i.e., of all employees in the Province’s legislative, judicial and executive branches, in the *Defensoría del Pueblo* and in the *Tribunal de Cuentas*, but excluding parastatal enterprises referred to in Article 3 (c) and (d) of the Province’s law no. 8836).
7. At no time, between the date of this Agreement and the Third Tranche Release Date, have more than twenty-five percent (25%) of personnel vacancies in the Province’s public sector (as such sector is defined for purposes of paragraph 6 of this Schedule), in existence as of the date of this Agreement and thereafter, been filled (except to the extent such vacancies may have been filled: (a) by employees transferred, as a result of the sale or concessioning thereof, from the Province’s *Empresa Provincial de Energía de Córdoba*, *Banco de la Provincia de Córdoba* or *Lotería de la Provincia de Córdoba* to other positions in the Province’s public sector; or (b) to replace active public sector teachers or active police officers who leave public service).

8. The Province has completed its review of public sector employment policies (with the aim of identifying ways to modify wage structure and remuneration policies so as to allow for appropriate managerial discretion and provide incentives for good staff performance) and completed its uniform classification of all public sector jobs.

9. The public administration managerial and staff training program, set forth in the Province's September 28, 2000 document entitled *Política de Reversión de los Recursos Humanos y su Marco Legal en la Provincia de Córdoba*, is being implemented by the Province, as evidenced at least by the signing of contracts by the Province with consultants to assist in such implementation and the beginning of work by such consultants pursuant to such contracts.

Social Sector

10. Indicators, as well as initial benchmarks based on those indicators for each of the Province's public sector hospitals, have been established by the Province as a means of measuring the performance of said hospitals.

11. The Province's *Instituto Provincial de Atención Médica (IPAM)* is implementing a health service delivery system based on integrated primary, secondary and tertiary health care networks, as evidenced by the signing, entry into effect and compliance with contracts entered into by *IPAM* with health service providers to provide coverage for all *IPAM* beneficiaries throughout the Province.

12. The condition which was initially set forth in paragraph 34 of this Schedule has been moved to this paragraph, and given that said condition has been waived this paragraph is hereby deliberately left blank.

13. The Province has attained and thereafter maintained a students to section ratio of no less than 28:1 for the *Ciclo de Especialización* level in public secondary schools in urban areas (for purposes of this paragraph, a section is defined as a subject matter course taught by one teacher, so that, for example, statistically there be no less than 28 students studying economics under one teacher).

14. (a) Completion by the Province of an evaluation of each publicly-administered teacher training institute (*Instituto de Formación Docente*) operating in the Province (as well as of each such privately-administered institute that receives subsidies from the Province), according to guidelines referred to in Article 2 of Resolution no. 161/99 of the Province's Ministry of Education; (b) granting of accreditation by the Province to those among such evaluated institutes which so qualify according to said guidelines; and (c) public dissemination by the Province of the results of such evaluations, of the list of accredited institutes and of the list of those evaluated institutes which have not been accredited.

15. The Province has completed an assessment, according to the terms of reference set forth in the Province's October 10, 2000 documents entitled *Términos de Referencia para Evaluar el Programa Permanente de Atención al Niño y la Familia*, *Términos de Referencia para la Verificación de Resultados del Programa de Desarrollo Solidario para Jóvenes "SOL"* and *Programas a Verificar por el Ministerio de la Solidaridad*, of the social protection programs administered by the Province's Ministry of Solidarity (currently Córdoba Solidarity Agency- *Agencia Córdoba Solidaria*).

16. At least 80,000 beneficiaries of the Province's social protection programs offered by its Ministry of Solidarity (currently Córdoba Solidarity Agency- *Agencia Córdoba Solidaria*) have been registered in the Borrower's *Sistema Único de Identificación y Registro de Familias de Beneficiarios de Programas Sociales (SISFAM)* registry."

“SCHEDULE 5

Provincial Actions Referred to in Section 2.02 (f) (ii) (C) of this Agreement

Public Finances

1. (a) The Province has attained (as confirmed by the Borrower in writing to the Bank) the quarterly targets set forth in the bilateral accord (referred to in paragraph 2 (a) of Schedule 3 to this Agreement) for the period between January 1, 2003 and the calendar quarter immediately preceding the Fourth Tranche Release Date.

(b) The condition set forth in this subparagraph (b) is hereby deleted, and therefore said subparagraph is deliberately left blank.

2. The condition set forth in this paragraph 2 is hereby deleted, and therefore said paragraph is deliberately left blank.

3. During the period covered by any twelve continuous months among the fifteen months immediately preceding the Fourth Tranche Release Date, the ratio of the provincial Gross Income Tax:base (*Ingresos Brutos*) is at least two percent (2%) greater than the ratio of the Borrower's VAT:base (*Impuesto al Valor Agregado*) during said period, said ratio to be determined by the Province taking into account a 1999 tax-base index acceptable to the Bank.

4. The provincial tax audit plan set forth in the Province's January 29, 2003 document entitled *Plan Annual de Fiscalización 2003* is being implemented by the Province in accordance with such plan's terms.

5. No provincial tax amnesties of any kind have been declared and/or implemented during 2000 and onwards, until the Fourth Tranche Release Date (unless the Borrower has declared an amnesty regarding a Borrower tax applicable to said period, in which case the Province may declare a provincial tax amnesty to accommodate the impact of said Borrower amnesty).

6. (a) At least twenty representative municipalities and communes in the aggregate (which meet the criteria set forth in Chapter XIII (entitled *Entidades de Recaudación Fiscal y Gestión*) of the Fiscal Agreement (*Acuerdo Economico-Financiero y Fiscal entre la Provincia de Córdoba con Municipios y Comunas para el Fortalecimiento Sustentable del Regimen Municipal y Comunal -Pacto de Saneamiento*) entered into between the Province and the Municipalities dated December 29, 1999), have been grouped in one or more regional entities (all vested with legal personality), as the case may be, for purposes of providing tax collection services and other core public services within the jurisdiction of the pertinent regional entity; and (b) the Province has prepared and furnished to the Bank a program to provide training to said municipalities and communes on tax collection and the provision of core public services.

7. (a) The Province has entered into a separate Cooperation and Coordination Agreement (*Convenio de Cooperación y Coordinación*) with each of at least twenty municipalities and/or communes pursuant to Chapter VIII (entitled *Armonización Catastral*) of the Fiscal Agreement (*Acuerdo Economico-Financiero y Fiscal entre la Provincia de Córdoba con Municipios y Comunas para el Fortalecimiento Sustentable del Regimen Municipal y Comunal - Pacto de Saneamiento*) entered into between the

Province and the Municipalities dated December 29, 1999) for purposes of cadastre harmonization between said municipalities or communes and the Province; and (b) the Province has prepared and furnished to the Bank a program to provide training to said municipalities and/or communes on cadastre harmonization activities.

Public Administration

8. (a) The Province has, no later than six months prior to the Fourth Tranche Release Date, prepared (under terms of reference set forth in the province's October 10, 2000 documents entitled *Términos de Referencia del Proyecto Reforma Administrativa y de Gestión del Ministerio de la Producción and Términos de Referencia del Proyecto Reforma Administrativa y de Gestión del Ministerio de la Solidaridad*) an action plan to modernize administration of the Province's Ministry of Solidarity (currently Córdoba Solidarity Agency- *Agencia Córdoba Solidaria*) and Ministry of Production (currently Ministry of Production and Finance- *Ministerio de la Producción y Finanzas*).

(b) The Province has been carrying out the plan referred to in paragraph 8 (a) of this Schedule in accordance with its terms.

(c) The Province has been carrying out the terms of the plan, referred to in paragraphs 4 and 5 of the Province's October 10, 2000 letter to the Bank entitled *Cumplimiento de Condicionalidad del Ministerio de Finanzas de la Provincia de Córdoba en el CPRL*, to modernize administration of its Ministry of Finance (currently Ministry of Production and Finance- *Ministerio de la Producción y Finanzas*), as evidenced at least by the preparation of the provincial public sector budget for provincial fiscal year 2003 in the manner referred to in paragraph 5 of said letter.

9. (a) The Province has, no later than two months prior to the Fourth Tranche Release Date, prepared and publicly announced an action plan to combat public sector corruption in the Province (with said plan to be based on a diagnostic of problems prepared with the participation of the Province's Secretariat of Justice, *Fiscalía General and Tribunal de Cuentas*); and (b) subsequent to the preparation and announcement of said plan, the Province has been carrying out said plan in accordance with its terms.

10. As evidence of compliance with the action plan set forth in the Province's October 11, 2000 letter to the Bank regarding public sector procurement reform, the Province's executive branch has either: (a) presented to the Province's legislature, for approval thereby, a bill of law whereby provincial public sector procurement practices are strengthened through measures specified in said plan; and/or (b) issued decrees, as permitted by existing law, to achieve the same procurement practices strengthening referred to in subparagraph (a) of this paragraph.

Social Sector

11. The Province's legislature has approved, for each fiscal year beginning after the Effective Date (up to and including the fiscal year during which the Fourth Tranche Release Date falls), an annual budget for the provincial public health sector which:

(a) makes available for use in the provincial public health sector an annual amount equivalent to (in nominal value terms) at least the amount that was allocated for the provincial public health sector's 2000 budget;

(b) allocates at least nine percent (9%) of said available amount to finance public health programs involving, inter alia, preventive and primary ambulatory health care; and

(c) contains no increase in personnel salary and benefits expenditures, as a percent of the total budget, above the percentage that such expenditures represented in the provincial public health sector's 2000 budget.

For purposes of this paragraph, provincial public health sector encompasses all activities financed by the Province's Ministry of Health (*Ministerio de Salud*).

12. An independent, external evaluation of the Province's public sector hospitals indicates that, with respect to all such hospitals and for the period covered by any two continuous months among the six months immediately preceding the Fourth Tranche Release Date: (a) at least eighty percent (80%) of all patient complaints have been formally answered by those hospitals' *Oficinas de Atención a los Usuarios* (Customer Attention Offices); (b) for at least eighty percent (80%) of high-risk operations performed in said hospitals during said period, patients have signed informed consent forms prior to their operations and those forms are on file in the hospitals; (c) the clinical histories of at least eighty percent (80%) of the patients treated on an in-patient basis by said hospitals during said period have been recorded and filed in the hospitals; and (d) at least eighty percent (80%) of the personnel of said hospitals have been wearing their staff identification cards consistently.

13. For the period covered by any six continuous months among the eight months immediately preceding the Fourth Tranche Release Date: (a) all patients treated in all of the Province's public sector hospitals have been identified, and those among them without insurance have been registered as such in a data base maintained by the Province's *Ministerio de la Solidaridad* (Ministry of Solidarity); and (b) each such hospital has been issuing invoices for no less than one hundred percent (100%), in terms of value, of services rendered to patients who have health insurance or are covered by pre-paid health plans and has, up to one month prior to the Fourth Tranche Release Date, collected at least fifteen percent (15%) of the amounts so invoiced or initiated legal action to collect such amounts if overdue.

14. At least one independent field study or survey has been carried out with respect to all the Province's public sector hospitals, between the Effective Date and the Fourth Tranche Release Date, to evaluate the degree of discrimination (if any) against uninsured patients by said hospitals (and the results of such studies have been made publicly available).

15. (a) At least the majority of the managerial staff of each of the Province's public sector hospitals have completed the management training program set forth in the Province's October 10, 2000 document entitled *Plan de Entrenamiento de Profesionales para Gestión Hospitalaria*; and (b) at least ninety percent (90%) of amounts recovered by each of the Province's public sector hospitals during any four continuous months among the six months immediately preceding the Fourth Tranche Release Date, through invoicing by each such hospital to patients or health insurance providers for the health care services rendered by each such hospital, are retained and used by each such hospital to, inter alia, fund a merit- and productivity-based personnel management system in each such hospital.

16. The study on public sector hospital budget planning, carried out according to terms of reference set forth in the Province's October 6, 2000 document entitled *Aportes a la Definición de las Necesidades de Financiamiento de los Efectores Públicos Provinciales y Municipales*, has been completed by the Province, and the Province has prepared and furnished to the Bank an action plan (based on the recommendations of said study) to establish, in all of the Province's public sector hospitals, a demand-based budget planning system.

17. The Province's *Instituto Provincial de Atención Médica (IPAM)* has prepared and made publicly available audited financial statements of its operations for the latest *IPAM* fiscal year immediately

preceding the Fourth Tranche Release Date, which statements demonstrate that *IPAM* expenditures are not exceeding its revenues.

18. An independent external evaluation has been completed, and its results made publicly available by the Province, of: (a) the rate at which patients use *IPAM*'s health care facilities; and (b) the cost/benefit impact of *IPAM*'s health delivery system networks referred to in paragraph 11 of Schedule 4 to this Agreement.

19 *IPAM*'s health care quality control unit (*Gerencia de Calidad*) has been regularly issuing, and making publicly available, findings with respect to the quality of health care delivered by *IPAM* to its beneficiaries.

20. The Province's equipment purchase control system, set forth in the Province's October 6, 2000 document entitled *Borrador de Decreto 2323: Requisitos Mínimos para Habilitación de Establecimientos Asistenciales*, for its Ministry of Health is being implemented, as evidenced by issuance of a provincial decree establishing such system, completion and regular updating of a publicly available census of equipment in each Province public sector hospital and public availability of documentation authorizing and detailing the purchase of each such piece of equipment carried out after entry into effect of such system.

21. (a) The Central Customer Service Office (*Oficina Central de Control de la Atención a los Usuarios*) of the Province's Ministry of Health has completed, and made public the results of, an evaluation of the performance of the Customer Service Office of each of the Province's public sector hospitals; and (b) user satisfaction surveys are being regularly carried out, and the results thereof made public by the Province, with regard to the performance of each such hospital.

22. The Province is implementing an independent public accreditation system with respect to all private and public sector health service facilities in the Province, as evidenced in part by provision of easy public access to a regularly updated database detailing the operation, rules and outcomes of the accreditation system.

23. All personnel records of staff (teaching and non-teaching) employed in the primary and secondary schools and teacher training institutes of the Province's public and private education system are recorded and maintained in a computerized comprehensive single *legajo único electrónico* (personnel file), with one such separate file for each such staff member, which files serve as the cornerstone for personnel administration for said education system.

24. The Province has prepared and furnished to the Bank a time-bound action plan to attain and thereafter maintain a students to teacher position (*cargo*) ratio of no less than 24:1 for public primary school *Educación General Básica* (General Basic Education; EGB) I and II levels, and no less than 15:1 for the *Ciclo Básico Unificado* level, both in public schools in urban areas (for purposes of this paragraph a teacher position (*cargo*) is defined as each bloc of twenty teaching hours paid for by the Province per week, regardless of whether the teaching paid for actually takes place or whether each such bloc is paid for one teacher or shared among various teachers).

25. (a) The Province has completed a study, carried out according to terms of reference satisfactory to the Bank, of the effectiveness of its privatized system of medical monitoring of public primary and secondary school teacher and staff sick leave, and has identified recommendations for improvement of such system.

(b) The Province has completed a study, carried out according to terms of reference satisfactory to the Bank, of the cost and financing of potential public education sector reforms foreseeable for the medium-term (i.e., for the term of three to five years after the date of this Agreement).

26. (a) The Province's public education system budget (i.e., the budget assigned to its *Ministerio de Educación* (Ministry of Education)), for the fiscal year during which the Fourth Tranche Release Date falls, allocates: (i) no less than ten percent (10%) of all expenditures to capital investment; and (ii) no more than ninety-two percent (92%) of all recurrent expenditures to personnel salary and benefits; and

(b) all maintenance and consumable school supply expenditures allocated by said budget to public primary and secondary schools are self-administered by said schools, exercising their own decentralized spending authority.

27. The Province has attained, and thereafter maintained, a level of Province public school teacher sick leave absenteeism for EGB I, II, *Ciclo Básico Unificado* and *Ciclo de Especialización* levels, equal to no more than eighty percent (80%) of the level experienced during 2000.

28. (a) Completion of the evaluation, carried out by the Province under terms of reference satisfactory to the Bank, of the Province's performance under Borrower national education programs, as well as public dissemination by the Province of the results of said evaluation; and

(b) dissemination to all of the Province's public and private primary and secondary schools of the national school performance assessment (*Operativo Nacional Educativo*) for said schools.

29. (a) Operation, in at least 400 of the Province's public primary and/or secondary schools, of a student performance monitoring system that tracks each student's socio-economic background, school performance and attendance on a regular basis; and (b) reduction in dropout rates by at least twenty-five percent (25%) and repetition rates by at least twenty-five percent (25%) in said 400 schools (as compared to such rates for said schools for the 1999 school year).

30. (a) Completion by the Province of an evaluation of at least thirty percent (30%) of privately-administered primary and secondary schools operating in the Province that receive subsidies from the Province, according to guidelines satisfactory to the Bank for evaluating such schools and determining their subsidy levels; (b) public dissemination by the Province of the results of such evaluations; and (c) adjustment by the Province of subsidies given to such evaluated schools, according to the results of such evaluations and to the terms of such guidelines.

31. Continued compliance by the Province with the commitments, set forth in the Province's October 6, 2000 document entitled *Planilla de Cumplimiento de Condicionalidad para el Banco Mundial en Materia de Gastos Sociales*, regarding the budgets of its Ministry of Solidarity (currently Córdoba Solidarity Agency –*Agencia Córdoba Solidaria*) and its Ministry of Production (currently Ministry of Production and Finance–*Ministerio de la Producción y Finanzas*), as well as (if the Fourth Tranche Release Date falls after 2001) allocation in each of the Province's post-2001 annual budgets for said Agency and Ministry, including the budgets for the year in which the Fourth Tranche Release Date falls, of amounts no less than those set forth in said *Planilla*.

Banking Sector

32. (a) BPC has entered into an agreement with the entity which was selected in accordance with the process referred to in paragraph 3 (b) of Schedule 3 to this Agreement, on terms and conditions

acceptable to the Bank; and (b) the entity mentioned in (a) herein has initiated its duties and responsibilities as manager of BPC's residual assets.

33. In case the recommendations of the diagnostic referred to in paragraph 3 (a) of Schedule 3 to this Agreement have not been included in the *Plan de Regularización y Saneamiento* mentioned in paragraph 3 (c) of Schedule 3 to this Agreement, BPC shall have prepared and furnished to the Borrower's Central Bank, through the Superintendency of Banks, a revised *Plan de Regularización y Saneamiento* (which plan shall include: (a) the recommendations conveyed by said Superintendency of Banks with respect to said *Plan de Regularización y Saneamiento*; (b) the recommendations of said diagnostic; and (c) a time-bound implementation plan (sequenced between immediate, medium and longer term actions)).

34. The Borrower's Central Bank, through the Superintendency of Banks, has furnished to the Borrower's Central Bank Board of Directors, a revised *Plan de Regularización y Saneamiento* for BPC acceptable to the Bank.

35. The Borrower's Central Bank Board of Directors has indicated (in writing) to BPC that BPC may implement the revised plan mentioned in paragraph 34 of this Schedule.

36. BPC is implementing the revised plan mentioned in paragraph 34 of this Schedule in accordance with its terms.

Power Sector

37. The regulatory agency referred to in paragraph 5 (a) of Schedule 3 to this Agreement: (a) is implementing the plan referred to in paragraph 5 (b) (ii) of said Schedule in accordance with its terms; and (b) has issued and/or is applying written regulations on service obligations in the power sector, including, for example, service pricing and performance standards for power distribution companies and power transmission companies.

38. The Province and EPEC have entered in a performance contract to gradually improve EPEC's operational performance in accordance with the targets set forth in said contract.

39. EPEC, through the unit referred to in paragraph 4 (c) of Schedule 3 to this Agreement, has: (a) carried out an environmental assessment of EPEC's facilities and activities to identify any negative environmental impact caused by the operation of said facilities and/or the carrying out of said activities; and (b) prepared and furnished to the Bank a monitoring and mitigation time-bound action plan to address any negative environmental impact.

40. The Province has granted concession contracts to all private electric cooperatives which have the legal capacity to sign a concession contract and are registered in the Province's power sector regulatory public agency referred to in paragraph 5 (a) of Schedule 3 to this Agreement.

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