Loan Agreement

(Rural Education Improvement Project - PROMER)

between

ARGENTINE REPUBLIC

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated October 23, 2006
AGREEMENT, dated October 23, 2006, 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 (the Project), 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 Fixed-Spread Loans” of the Bank dated September 1, 1999 (as amended through May 1, 2004) with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) Section 5.08 of the General Conditions is amended to read as follows:

“Section 5.08. Treatment of Taxes

Except as otherwise provided in the Loan Agreement, the proceeds of the Loan may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower on the goods or services to be financed under the Loan, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Bank’s policy of requiring economy and efficiency in the use of the proceeds of its loans. To that end, if the Bank shall at any time determine that the amount of any taxes levied on, or in respect of any item to be financed out of, the proceeds of the Loan is excessive or otherwise
unreasonable, the Bank may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Loan Agreement as required to be consistent with such policy of the Bank.”

(b) Section 6.03 (c) of the General Conditions is amended by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

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) “A.1 Subproject” means a project to be carried out by a Province under Part A.1 of the Project, consisting of one or more of the activities set forth in Part A.1 of the Project and identified in the respective Bilateral Agreement;

(b) “A.2 Subproject” means a project to be carried out by a Province under Part A.2 of the Project, consisting of one or more of the activities set forth in Part A.2 of the Project and identified in the respective Bilateral Agreement;

(c) “A.3 Subproject” means a project to be carried out by a Province under Part A.3 of the Project, consisting of one or more of the activities set forth in Part A.3 of the Project and identified in the respective Bilateral Agreement;

(d) “Bilateral Agreement” means any of the agreements referred to in Section 3.01 (b) of this Agreement and the schedules and complementary documents thereof;

(e) “DGUFI” means Dirección General Unidad de Financiamiento Internacional, the General Directorate Unit of International Finance of the MECyT;

(f) “Environmental Framework” means the environmental framework for implementation of the Project set forth in the Operational Manual;

(g) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(h) “Institutional Pedagogical Activity” means an activity or activities to be carried out by a Rural School selected and approved, and eligible for implementation
under Part A.2 (e) of the Project in accordance with the requirements of the Operational Manual;

(i) “IPDP” means the indigenous peoples plan set forth in the Operational Manual;

(j) “MECyT” means Ministerio de Educación, Ciencia y Tecnología, the Borrower’s Ministry of Education, Science and Technology;

(k) “Operational Manual” means the manual for the operation of the Project approved by the Bank on November 16, 2005;

(l) “Performance Indicators” means the indicators set forth in the Operational Manual;

(m) “Procurement Plan” means the Borrower’s procurement plan, dated November 10, 2005 covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 12 month periods (or longer) of Project implementation;

(n) “Project Preparation Advance” means the project preparation advance granted by the Bank to the Borrower pursuant to the letter agreement signed on behalf of the Bank on August 9, 2005 and on behalf of the Borrower on October 28, 2005;

(o) “Province” means any of the provinces of the Borrower;

(p) “Provincial Procurement Plan” means the procurement plan included in the Bilateral Agreement;

(q) “Rural Education Plan” means a rural education plan, approved by the Borrower, and to be carried out by a Province;

(r) “Rural School” means a rural school which meets the requirements of the Operational Manual to benefit from a Subproject;

(s) “School Agreement” means any of the agreements referred to in paragraph 1 (k) of Schedule 6 to this Agreement;
(t) “School Cluster” means any cluster established, following the requirements of the Operational Manual, under Part A.1 (e) of the Project;

(u) “School Managed Activities” means collectively any Institutional Pedagogical Activities, School Cluster activities under Part A.1. (e) of the Project and school maintenance activities under Part A.1 (b) (ii) of the Project included in a Subproject and managed directly by the authorities of the Rural School or the School Cluster;

(v) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement; and

(w) “Subproject” means collectively A.1 Subprojects, A.2 Subprojects and A.3 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 this Agreement, an amount equal to one hundred and fifty million dollars ($150,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

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, works and services required for the Project and to be financed out of the proceeds of the Loan and in respect of the front-end fee referred to in Section 2.04 of this Agreement and any premium in respect of an Interest Rate Cap or Interest Rate Collar payable by the Borrower in accordance with Section 4.04 (c) of the General Conditions.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in its Banco de la Nación Argentina, on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount required to
repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be October 31, 2011 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 front-end fee in an amount equal to one percent (1%) of the amount of the Loan, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time, subject to any waiver of a portion of such charge as may be determined by the Bank from time to time.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period at the Variable Rate; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and commitment charges shall be payable semiannually in arrears on March 15 and September 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.09. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

(i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency:
(ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and

(iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Variable Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in Section 2.01(7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar in respect of which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04 (c) of the General Conditions up to the amount allocated from time to time for such purpose in the table in paragraph 1 of Schedule 1 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, and, to this end, shall carry out the Project through MECyT and, in respect of Parts A.1, A.2 and A.3 of the Project, with the assistance of the Provinces, all with due diligence and efficiency and in conformity with appropriate administrative, education, economic, financial, social and environmental standards and practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower shall, in the carrying out of Subprojects under Parts A.1, A.2 and A.3 of the Project, prior to the submission of withdrawal applications for any such Subproject, enter into an agreement with the relevant Province, under terms and conditions substantially similar to those of the model form contained in the Operational Manual (the Bilateral Agreements), and containing, inter alia, the terms set forth in Schedule 6 to this Agreement.
(c) The Borrower shall exercise its rights and carry out its obligations under the Bilateral Agreements in such a 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, the Borrower shall not assign, amend, abrogate, waive or fail to enforce any Bilateral Agreement or any provision thereof.

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of the goods, works and 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, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than 12 months after the date of the preceding Procurement Plan, for the Bank’s approval.

Section 3.03. The Borrower shall:

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

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about May 31 each year, commencing May 31, 2007, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by August each year, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank’s views on the matter.

Section 3.04. The Borrower shall carry out the Project in accordance with the Operational Manual, which manual includes, *inter alia*:

(a) the procedures for the carrying out, monitoring and evaluation of the Project including all fiduciary requirements (procurement, financial management and disbursements);
(b) criteria for identification of Rural Schools, approval of Subprojects and distribution of Loan proceeds allocated for Subprojects among the different Provinces or groups of Provinces based on the percentage of the student population enrolled in Rural Schools and the percentage of households with unmet basic needs;

(c) requirements for implementation of Subprojects;

(d) model forms for the Bilateral Agreements and School Agreements;

(e) a list of eligible expenditures for infrastructure maintenance of Rural Schools and operation of School Clusters; and

(f) the IPDP and the Environmental Framework.

Section 3.05. The Borrower shall carry out the IPDP in accordance with its terms.

Section 3.06. For the purposes of Section 9.07 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 (6) 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 in MECyT a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:
(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank), audited, in accordance with consistently applied auditing standards acceptable to the Bank, 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 (or such other period agreed to by the Bank): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Bank), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and

(iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may 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) retain, until at least one year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(ii) enable the Bank’s representatives to examine such records; and

(iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Bank), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower’s progress reporting obligations set out in Section 3.03 of this Agreement, the Borrower shall prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, which:

(i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing
separately funds provided under the Loan, and explains variances between the actual and planned uses of such funds;

(ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and

(iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than 45 days after the end of the first calendar semester after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar semester; thereafter, each FMR shall be furnished to the Bank not later than 45 days after each subsequent calendar semester, and shall cover such semester.

ARTICLE V

Remedies of the Bank

Section 5.01. (a) Pursuant to Section 6.02 (p) of the General Conditions, the following additional event is specified, namely, that any Province shall have failed to perform any of its obligations under the respective Bilateral Agreement.

(b) Notwithstanding the rights contained in Section 5.01 of the General Conditions, it is understood that, if any of the events specified in paragraph (a) of this Section shall have occurred, the Bank may, by notice to the Borrower, suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account for expenditures under the concerned Bilateral Agreement.

Section 5.02. Pursuant to Section 7.01 (k) 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 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 event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely that at least two Bilateral Agreements have been entered into by the parties thereto.

Section 6.02. The date January 22, 2007 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 Production 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 Producción
Hipólito Yrigoyen 250
C1086AAB, Buenos Aires
Argentina

Cable address: MINISTERIO DE ECONOMIA Y PRODUCCION
Telex: 121942-AR
Facsimile: (54 11) 4349-8815

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
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: (202) 477-6391
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/ Felisa Miceli
Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By /s/ Axel van Trotsenburg
Authorized Representative
### 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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (Expressed in Dollars)</th>
<th>% of Expenditures to be financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Part A of the Project:</td>
<td></td>
<td>90%</td>
</tr>
<tr>
<td>(a) Goods, works, consultants’ and other services, Training and Operating Costs procured by Provinces for Subprojects and School Managed Activities Costs</td>
<td>79,270,000</td>
<td>)</td>
</tr>
<tr>
<td>(b) Goods, works, and consultants’ and other services, Training and Operating Costs procured by the Borrower pursuant to Part A.4 of the Project</td>
<td>57,902,000</td>
<td>)</td>
</tr>
<tr>
<td>(2) Goods, consultants’ services, Training and Operating costs for Part B of the Project</td>
<td>4,473,000</td>
<td>90%</td>
</tr>
<tr>
<td>(3) Front-end fee</td>
<td>375,000</td>
<td>Amount due under Section 2.04 of this Agreement</td>
</tr>
<tr>
<td>(4) Refunding of Project Preparation Advance</td>
<td>1,500,000</td>
<td>Amount due pursuant to Section 2.02 (c) of this Agreement</td>
</tr>
</tbody>
</table>
### Amount of the Loan Allocated

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (Expressed in Dollars)</th>
<th>% of Expenditures to be financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(5) Premia for Interest Rate Caps and Interest Rate Collars</td>
<td>0</td>
<td>Amount due under Section 2.09 (c) of this Agreement</td>
</tr>
<tr>
<td>(6) Unallocated</td>
<td>6,480,000</td>
<td>TOTAL 150,000,000</td>
</tr>
</tbody>
</table>

2. For the purposes of this Schedule:

   (a) the term “Operating Costs” means the reasonable costs, which would not have been incurred absent the Project of communications, office supply, and local travel (other than for training) directly related to the performance of the Project activities by: (i) MECyT and the Borrower’s National Audit Agency (AGN); and (ii) the Province’s staff including Rural Schools’ personnel in respect of Subprojects;

   (b) the term “School Managed Activities Costs” means the cost of materials, goods and services for maintenance of Rural Schools under Part A 1. (b) (ii) of the Project, the establishment and operation of School Clusters, and Institutional Development Activities, all as listed in the Operational Manual; and

   (c) the term “Training” means the reasonable non-consultant expenditures incurred by MECyT and the Province’s and Rural Schools’ staff in connection with the carrying out of the training activities under Parts A and B of the Project, including local travel costs, per diem of trainers, trainees, facilitators and stakeholders, and training materials.

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 exceeding $15,000,000, may be made on account of payments made for expenditures within twelve months before the date of this Agreement; and
(b) any expenditures for a Subproject under Part A.1., A.2., and A.3. of the Project, unless: (i) the Bank has received evidence, satisfactory to the Bank, that the assessment of the financial management and procurement capacity of the respective Province to carry out the Subproject has been concluded to the satisfaction of the Bank; and (ii) a Bilateral Agreement, satisfactory to the Bank, has been entered into with the relevant Province.

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

(a) goods, works and services (including those for Subprojects) in respect of which no prior review of contracts is required in accordance with the provisions of Section IV of Schedule 4 to this Agreement; and

(b) Training and Operating Costs,

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 to improve:

(a) the coverage, efficiency, and quality of the Borrower’s education system; and

(b) the governance of the Borrower’s education system through strengthening of the normative, planning, information, monitoring and evaluation capacity 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: Improving Quality and Coverage of Rural Education

Strengthening the delivery of education services in Rural Schools through:

1. Carrying out of activities aimed to improve the operating conditions of Rural Schools (A.1 Subprojects) and including:

   (a) provision of didactic materials and teaching equipment;

   (b) (i) construction and/or rehabilitation of classrooms: (A) to accommodate existing and/or additional enrollment; and (B) to meet minimum school infrastructure standards; (ii) maintenance of Rural Schools; and (iii) provision of the infrastructure (electricity and water services) and materials required therefor;

   (c) provision of technical tools necessary to access distance education through the education television channels (including satellite connections);

   (d) provision of technical assistance for the preparation of Institutional Pedagogical Activities in Rural Schools of predominantly indigenous students, and carrying out training programs for Rural Schools implementing the Borrower’s indigenous education programs; and
(e) establishment and operation of clusters of Rural Schools designed as a mechanism to deal with a common set of problems such as education planning, training and management of didactic materials, teaching equipment, and other resources for such schools (School Clusters).

2. Carrying out of activities aimed to expand coverage and improve the student promotion flow in Rural Schools (A.2 Subprojects) and including:

   (a) expansion of coverage of pre-school education through the development and application of multi-grade pre-school models including the provision of educational materials and training of teachers required therefor;

   (b) implementation of measures aimed to prevent dropout and repetition in the first years of primary education schooling, such as measures to increase the reading and mathematics ability of students in the initial grades, adoption of a three-year learning cycle as a framework for learning and students’ promotion, and provision of training as required therefor;

   (c) implementation of selected actions aimed to assist overage students to catch up academically and reduce the overage distortion in the latter years of primary education schooling, and provision of the materials and training required therefor;

   (d) design and implementation of learning modules for delivery of the compulsory level of secondary education to students of Rural Schools, including the provisions of materials and training of teachers required therefor; and

   (e) carrying out of Institutional Pedagogical Activities.

3. Carrying out of activities aimed to strengthen the management of education delivery in Rural Schools at the provincial level (A.3 Subprojects) and including provision of technical assistance and training for the Province’s education ministries’ staff in management, financial management, procurement and internal auditing, planning and information, pedagogical and administrative areas, and for information systems and school supervision.

4. Carrying out of procurement at the national level for activities identified in Parts A.1, A.2 and A.3 above.
Part B: Enhancing Stewardship Capacity of MECyT

1. Strengthening the planning, normative, monitoring, evaluation, implementation, financial management, procurement and internal auditing capacity of selected departments of MECyT through:

   (a) a review of the institutional arrangements of selected departments to identify and correct overlapping of activities and establish modern procedures and mechanisms to monitor and evaluate education activities and projects; and

   (b) provision of training to upgrade the technical skills of those involved in improvement of educational quality, mainly in the use of implementation tools and information management systems.

2. (a) Carrying out of: (i) surveys of the functioning conditions of Rural Schools; and (ii) impact evaluation studies on the Project; and

   (b) carrying out of student learning assessments in Rural Schools and provision of feedback to such schools.

* * *

The Project is expected to be completed by April 30, 2011.
SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<table>
<thead>
<tr>
<th>Payment Date</th>
<th>Installment Share (Expressed as a %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each March 15 and September 15</td>
<td></td>
</tr>
<tr>
<td>Beginning March 15, 2011</td>
<td>5.26%</td>
</tr>
<tr>
<td>through September 15, 2019</td>
<td></td>
</tr>
<tr>
<td>On March 15, 2020</td>
<td>5.32%</td>
</tr>
</tbody>
</table>

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.
3. (a) Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of subparagraph (a) of this paragraph 3, if at any time the Bank shall adopt a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such subparagraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.
SCHEDULE 4

Procurement

Section I. General

A. All goods, works and services (other than consultants’ services) shall be procured in accordance with the provisions of Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants’ services shall be procured in accordance with Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants’ Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower.

B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than $500,000 equivalent per contract and works estimated to cost less than $5,000,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding, using standard bidding documents satisfactory to the Bank, and which shall include the additional provisions set forth in Section V of this Schedule.

2. Shopping. Goods estimated to cost less than $100,000 equivalent per contract and works estimated to cost less than $350,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.
3. **Direct Contracting.**

   (a) Additional numbers of the same books, purchased from the same suppliers and at the same prices as those which were selected under Part B.4 below; and

   (b) books purchased from a list of publications and suppliers selected under a book fair organized for such purpose following the procedures set forth in the Operational Manual, may be procured in accordance with the provisions of direct contracting following the procedures set forth in the Operational Manual.

4. **Community Participation**

Books, library and didactic materials required for Part A of the Project may be procured on the basis of community participation in accordance with the procedures set forth in the Operational Manual.

**Section III. Particular Methods of Procurement of Consultants’ Services**

A. **Quality- and Cost-based Selection.** Except as otherwise provided in Part B of this Section, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection and Section V of this Schedule. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than $300,000 equivalent per contract may comprise entirely national consultants.

B. **Other Procedures**

1. **Least-cost Selection.** Services for assignments which the Bank agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. **Selection Based on Consultants’ Qualifications.** Services estimated to cost less than $100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

3. **Single Source Selection.** Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.
4. **Individual Consultants.** Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

**Section IV. Review by the Bank of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Bank’s Prior Review. All other contracts shall be subject to Post Review by the Bank.

**Section V. Special Provisions**

The following provisions shall apply to procurement of goods, works and services:

A. **General**

1. Foreign and local contractors, service providers, consultants and suppliers shall not be required: (a) to register; or (b) to establish residence in Argentina or in a Province; or (c) enter into association with other national or international bidders as a condition for submitting bids or proposals.

2. International arbitration shall be included as a condition of conflict resolution mechanism in contracts with foreign contractors, service providers, consultants and suppliers.

3. Invitations to bid, bidding documents, minutes of bid opening, requests for expressions of interest, and modifications of award of all goods, works and services, including consultants’ shall be published in the web page of the Oficina Nacional de Contrataciones, the Borrower’s National Contracting Board (ONC), in a manner acceptable to the Bank.

4. Witness prices shall not be used as a parameter for a bid evaluation or contract award.
B. Procurement of Works, Goods and Non-Consultant services

1. A two-envelope system for procurement will not be used for procurement of goods, services (other than consultant services) and works.

2. After the public opening of bids, information relating to the examination, clarification and evaluation of bids, and recommendations concerning awards shall not be disclosed to bidders or other persons not officially concerned with the bidding process until the award is published. Bidders shall not be allowed to review or make copies of others bidders’ bids. For contracts for goods, services, other than consulting services, and works, “the most convenient” bid shall be the one that has been determined to be substantially responsive and has been determined to be the lowest evaluated bid, provided that further the bidder is determined to be qualified to perform the contract satisfactorily.

3. The lowest evaluated bidder shall not be required to reduce its bid as a condition of contract award.

4. Price adjustments for civil works contracts should follow the price adjustment methodology agreed between the Borrower and the Bank on April 15, 2003.

5. National Competitive Bidding procedures would be modified in order to make them identical to International Competitive Bidding procedures, exception made of the following features: (a) advertisement may be limited to the national press or official gazette, or the ONC website; (b) the Borrower’s currency may be used for the purposes of bidding and payment; (c) the bidding period (from the date of publication of the invitation to bid or the date that the documents are available, which ever is later to the date of bid opening) may be reduced to 30 days; (d) the INCOTERM clause Delivery Duty Paid (DDP) may be used for the procurement of goods; and (e) the price adjustment mechanism applicable to National Competitive Bidding as stipulated in the price adjustment methodology referred to in 4. above.

C. Procurement of Consultant Services

1. Consultants shall not be required to submit bid or performance securities.
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 the amount of $15,000,000 to be withdrawn from the Loan Account and deposited into 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 the amount of $10,000,000 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 $25,000,000.

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 deposit into the Special Account of an amount or amounts 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 into 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;

(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, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, 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

Terms of Bilateral Agreements

The Bilateral Agreements shall contain the following provisions:

1. The Province shall:

   (a) carry out the A.1 Subproject, the A.2 Subproject and/or the A.3 Subproject and the Rural Education Plan with due diligence and efficiency and in conformity with appropriate administrative, education, economic, financial, social and environmental standards and practices, as well as in conformity with the provisions of the Loan Agreement, the Operational Manual, the IPDP, the Environmental Framework and a Province-specific procurement plan to be included in the Bilateral Agreement (Provincial Procurement Plan);

   (b) provide the teaching personnel required for the carrying out of the Rural Education Plan and, if applicable, the funds, services and other resources required for the Subproject;

   (c) (i) not later than six months after the signature of the Bilateral Agreement propose the benchmarks and indicators for monitoring performance in the delivery of rural education; and (ii) after approval of such benchmarks and indicators by the Borrower, take all necessary steps to meet them;

   (d) annually review with the Borrower the implementation of the Rural Education Plan and the Subproject and the steps taken for meeting the benchmarks and applicable indicators referred to in (c) above;

   (e) (i) in the event that after the reviews referred to in (d) above, the Province is not in compliance with the annual programming of the Rural Education Plan, and the Subproject and/or the benchmarks/indicators, submit in respect of the benchmark/indicators a report to the Borrower detailing the corrective measures to be taken by the Province; and (ii) after approval by the Borrower of the report and measures, carry them out in accordance with their terms;

   (f) procure the goods, works and services included in the Subproject in accordance with the provisions of this Agreement, and the requirements of the Provincial Procurement Plan and any revisions thereof that the DGUFI and the Bank may agree;
(g) maintain financial records of the Subproject (including those required by the Borrower for disbursement of the proceeds of the Loan for Subprojects (Category (1) (a) of the table in Schedule 1 to this Agreement) and have them audited following the requirements of the Loan Agreement and the Operational Manual;

(h) comply with the applicable technical-educational requirements for delivery of education in the Rural Schools;

(i) carry out the activities related to those in Part A.4 as may be required from the Province;

(j) carry out the financial management and procurement capacity strengthening plan, if applicable; and

(k) prior to transferring any funds for the implementation of School Managed Activities, enter into agreements with the authorities of the School Clusters or a Rural School if a Rural Cluster could not be formed, setting forth the respective obligations of the Borrower, the Province and the Rural School or School Cluster.

2. The Borrower shall:

   (a) procure goods, works and services pursuant to Part A.4 of the Project as needed for the implementation of the Subproject by the Province;

   (b) make the proceeds of the Loan allocated for the Subproject available to the Province; and

   (c) in the event the Province fails to carry out the measures proposed under paragraph 1 (e) above, be authorized to proceed with a partial or total suspension of disbursement to the Province for the relevant Subproject.