

CONFORMED COPY

LOAN NUMBER 2996 AR

(Second Trade Policy Loan)

between

THE ARGENTINE REPUBLIC

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated November 14, 1988

LOAN NUMBER 2996 AR

LOAN AGREEMENT

AGREEMENT, dated November 14, 1988, between THE ARGENTINE REPUBLIC (hereinafter the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter the Bank).

WHEREAS (A) the Bank has received from the Borrower a letter of sectoral policy dated May 12, 1988 and a letter of development policy dated September 22, 1988 (i) describing a program of actions, objectives and policies (hereinafter the Program) designed to reform the Borrower's foreign trade regime, with a view to improving productivity, and the Borrower's macro-economic framework; (ii) declaring the Borrower's commitment to the execution of the Program; and (iii) requesting assistance from the Bank in the financing of needed imports and services required during the execution of the Program;

(B) the Borrower intends to undertake a program of actions, measures and other activities aimed at facilitating the execution of the Program and strengthening the Borrower's administration of its trade and industry regimes; and

(C) on the basis, inter alia, of the foregoing, the Bank has decided in support

of the Program to provide such assistance to the Borrower by making the Loan in two tranches and for the financing of services, training and equipment as hereinafter provided;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications thereof set forth below (hereinafter the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 11, shall be modified to read:

"'Project' means the imports and other activities that may be financed out of the proceeds of the Loan pursuant to the provisions of Schedule 1 to the Loan Agreement.";

(b) Section 9.07 (c) shall be modified to read:

"(c) Not later than six months after the Closing Date or such other date as may be agreed for this purpose between the Borrower and the Bank, the Borrower, through SICE (as defined hereinafter), shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution of the program referred to in the Preamble to the Loan Agreement, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan."; and

(c) The last sentence of Section 3.02 is deleted.

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) "SITC" means the Standard International Trade Classification, Revision 3 (SITC, Rev. 3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986);

(b) "ISIC" means the International Standard Industrial Classification of All Economic Activities (ISIC), published by the United Nations in Statistical Papers, Series M, No. 4/Rev. 1, U.N. Publications Sales No. 58, XVII;

(c) "Austral" means the currency unit of the Borrower;

(d) "Banco Central" means the Banco Central de la Republica Argentina, the Central Bank of the Borrower;

(e) "MINEC" means the Ministerio de Economia, the Ministry of Economy of the Borrower;

(f) "SICE" means the Secretaria de Industria y Comercio Exterior, the Secretariat for Industry and Foreign Trade of the Borrower within MINEC;

(g) "Hacienda" means the Secretaria de Hacienda, the Secretariat of Finance of the Borrower within MINEC;

(h) "INDEC" means the Instituto Nacional de Estadistica y Censos, the National Institute of Statistics within the Secretariat of Planning of the Borrower;

(i) "DGI" means the Direccion General Impositiva, the tax revenue service of the Borrower;

(j) "Customs Law" means the Borrower's Ley 22.415 of February 5, 1981 ("Codigo Aduanero"), Decreto 1001 of May 21, 1982;

(k) "CIF" means Cost, Insurance and Freight, within the meaning of the

International Rules for the Interpretation of Trade Terms (Incoterms), published by the International Chamber of Commerce (March 1980);

(l) "Industrial Promotion System" means the industrial promotion regimes established by Ley 21.608 of July 23, 1977, for the whole country, by Ley 22.021, of June 28, 1979, for the province of La Rioja, by Ley 22.702, of December 29, 1982, for the provinces of San Luis and Catamarca, by Ley 22.973, of November 11, 1983, for the province of San Juan, and by Ley 19.640 of May 16, 1972, for the National Territory of Tierra del Fuego, and the executive decrees and ministerial resolutions pertaining thereto;

(m) "Quantitative Restrictions" means prohibitions and limitations upon the importation of goods covered by specified NADI Positions;

(n) "NADI Positions" means the denomination of a product in the Borrower's Nomenclatura Arancelaria y Derechos de Importacion, or import nomenclature;

(o) "NADE Positions" means the denomination of a product in the Borrower's Nomenclatura Arancelaria y Derechos de Exportacion, or export nomenclature;

(p) "Production Coverage" means, with respect to any one or more NADI Positions or NADE Positions, the percentage share of the value of the domestic manufacturing production of the goods denominated by such NADI Positions or NADE Positions in the total value of domestic manufacturing production calculated in the manner and according to the methodology agreed between the Borrower and the Bank;

(q) "Tariffs" means tariff rates applicable to the CIF value of imports covered by specified NADI Positions (ad valorem tariff rates);

(r) "Production Weighted Average Tariff Rate" means the arithmetic average of all Tariffs for manufactured goods, such Tariffs to be weighted by the Production Coverage of the corresponding NADI Position;

(s) "Tariff Surcharges" means any surcharges on existing Tariffs applicable to imports covered by specified NADI Positions; and

(t) "Industrial Goods" means any goods produced by an economic activity classified as 3 in the ISIC.

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 in various currencies equivalent to three hundred million dollars (\$300,000,000).

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement.

Section 2.03. The Closing Date shall be November 30, 1989, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

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

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

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

(c) For purposes of this Section:

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

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

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

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

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.

Section 2.08. (a) Banco Central is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

(b) As part of the foregoing, the Borrower hereby entrusts Banco Central with responsibility for the preparation of withdrawal applications under the Loan and for the collection of the documents and other evidence to be furnished to the Bank in support of such applications; such withdrawal applications shall, to the extent practicable, be consolidated so as to apply for withdrawal of aggregate amounts of not less than one hundred thousand dollars (\$100,000) equivalent.

ARTICLE III

Particular Covenants

Section 3.01. (a) The Borrower and the Bank shall, no later than October 31, 1989, and at such other times as requested by either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Schedule 4 to this Agreement, and on such other matters pertaining to the foregoing as either party may request, including without limitation the obligations of the Borrower set forth in Sections 3.03, 3.04, and 3.05 of this Agreement.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. (a) As part of the execution of the Program, the Borrower shall: (i) complete DGI's current program for the auditing of about 3,500 beneficiaries (empresas promovidas) under the Industrial Promotion System; (ii) strengthen the auditing capacity of SICE so that it can effectively carry out, on a continuous basis, the auditing functions assigned to it by Ley 21,608 of July 23, 1977, and by future legislation on industrial promotion, if any; (iii) furnish to the Bank for an exchange of views, not later than November 15, 1988, draft criteria for the evaluation of, and decision-making on, the results of the audits by SICE of compliance by beneficiaries (empresas promovidas) under the Industrial Promotion System, such criteria to be satisfactory to the Bank; and (iv) prepare a plan of action for processing all cases reported by DGI, referred to in paragraph (a) (i) above, and furnish it to the Bank for comments not later than March 15, 1989.

(b) For purposes of the foregoing, the Borrower shall: (i) expand the auditing unit of SICE through the hiring and training of staff; (ii) appoint a technical assistance coordinator having experience and qualifications acceptable to the Bank; (iii) acquire computing equipment; and (iv) employ or cause to be employed consultants for DGI, Hacienda and SICE whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with the principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

Section 3.04. (a) The Borrower, through Banco Central or SICE, as the case may be, shall maintain or cause to be maintained separate records and accounts adequate to reflect in accordance with consistently maintained sound accounting practices the expenditures financed out of the proceeds of the Loan.

(b) The Borrower, through Banco Central or SICE, as the case may be, shall:

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

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower, through Banco Central or SICE, as the case may be, shall:

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

Section 3.05. The Borrower shall eliminate all Tariff Surcharges established in Resolution from MINEC No. 978, dated September 30, 1985 as amended by Resolution from MINEC No. 418, dated May 5, 1986, in accordance with the time schedule set forth in the latter Resolution.

ARTICLE IV

Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) that the macro-economic policy framework of the Borrower, including its fiscal, monetary and exchange rate policies, is consistent with the objectives of the Program;

(b) that the Borrower shall have: (i) reduced the Production Coverage of Quantitative Restrictions to no more than eighteen percent (18%), and (ii) achieved full automaticity in the import authorization process for all goods denominated by not less than seven thousand eight hundred (7,800) NADI Positions not covered by

Quantitative Restrictions;

(c) that the Borrower shall have reduced the Production Weighted Average Rate of its overall Tariff protection to thirty percent (30%) of the CIF value of imported goods;

(d) that the Borrower's Tariffs shall in all cases be no more than forty percent (40%) of the CIF value of any imported goods; provided, however, that the Borrower's Tariffs for a number of imported goods with a total Production Coverage not exceeding three percent (3%) may increase to not more than fifty percent (50%) of the CIF value of such imported goods;

(e) that the Borrower shall have maintained the total Production Coverage of Tariffs at no less than ninety-three percent (93%);

(f) that the Borrower shall not have used Tariff Surcharges for specific imported goods other than temporary Tariff Surcharges established in Resolucion from MINEC No. 978, dated September 30, 1985 as amended by Resolucion from MINEC No. 418, dated May 5, 1986;

(g) that any countervailing duties, anti-dumping duties, or safeguard measures that may have been established by the Borrower shall have conformed to the requirements of paragraphs (b)(i), (c) and (e) of this Section; and

(h) that the Borrower shall have made progress, satisfactory to the Bank, in the program for the auditing of beneficiaries (empresas promovidas) by DGI pursuant to Section 3.03 (a)(i) of this Agreement.

Section 5.02. The date of February 14, 1989, is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. Except as provided in Section 2.08 (a) of this Agreement, the Ministro de Economia of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministerio de Economia
Hipolito Yrigoyen 250
Buenos Aires
Argentina

Cable address:

MINISTERIO ECONOMIA
Baires

Telex:

121952-AR

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

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

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

THE ARGENTINE REPUBLIC

By /s/ Jorge Sakamoto
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Pieter Bottelier
Acting Regional Vice President
Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. Subject to the provisions set forth or referred to in this Schedule, the proceeds of the Loan may be withdrawn from the Loan Account for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods (and, in the case of the expenditures referred to in paragraph 2(g) of this Schedule, services) required during the execution of the Program and to be financed out of such proceeds.

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

(a) expenditures for goods included in the following SITC groups or sub-groups, or any successor groups or sub-groups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

Group	Sub-group	Description of Items
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured, tobacco refuse
122	-	Tobacco, manufactured (whether or not con- taining tobacco sub- stitutes)
525	-	Radioactive and associated materials
667	-	Pearls, precious and semi-precious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges), non-irradiated for nuclear reactors
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)

Gold, non-monetary
(excluding gold ores
and concentrates)

(b) expenditures (other than those related to the actions and measures referred to in Section 3.03 of this Agreement) in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

(c) payments made for expenditures prior to the date of this Agreement, except that withdrawals in an aggregate amount not exceeding the equivalent of sixty million dollars (\$60,000,000) may be made on account of payments made for such expenditures before that date but after July 14, 1988.

(d) expenditures for goods procured under contracts costing less than five thousand dollars (\$5,000) equivalent;

(e) expenditures for goods supplied under a contract which any public national or multilateral financing institution or agency shall have financed or agreed to finance;

(f) expenditures for goods intended for a military or related purpose or for luxury consumption; and

(g) expenditures in connection with the actions and measures referred to in Section 3.03 of this Agreement which, in the aggregate, exceed the equivalent of two million three hundred and fifty thousand dollars (\$2,350,000).

3. No withdrawal shall be made and no commitment shall be entered into to pay amounts to the Borrower, or on the order of the Borrower in respect of expenditures, other than those referred to in paragraph 2(g) of this Schedule, to be financed out of the proceeds of the Loan, after the aggregate of the proceeds of the Loan withdrawn from the Loan Account and the total amount of such commitments shall have reached the equivalent of one hundred fifty million dollars (\$150,000,000), unless the Bank shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement: (a) with the progress achieved by the Borrower in the carrying out of the Program; and (b) that the actions described in Schedule 4 to this Agreement have been taken.

4. If, after the exchange of views described in paragraph 3 above, the Bank shall have given notice to the Borrower that the progress achieved and actions taken are not satisfactory and, within ninety days after such notice, the Borrower shall not have achieved progress and taken actions satisfactory to the Bank, then the Bank may, by notice to the Borrower, cancel the unwithdrawn amount of the Loan or any part thereof, other than the amount required for execution of the actions and measures referred to in Section 3.03 of this Agreement.

SCHEDULE 2

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each March 15 and September 15	
beginning March 15, 1994 through September 15, 2003	15,000,000

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

Premiums on Prepayment

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

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

SCHEDULE 3

Procurement

1. (A) Contracts for the procurement of goods estimated to cost the equivalent of five million dollars (\$5,000,000) or more each, except contracts for goods for the activities referred to in Section 3.03 of this Agreement, shall be awarded through international competitive bidding in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (hereinafter called the Guidelines), subject to the following modifications:

(a) Paragraph 2.8 of the Guidelines is deleted and the following is substituted therefor:

"2.8 Notification and Advertising

The international community should be notified in a timely manner of the opportunity to bid. This will be done by advertising invitations to apply for inclusion in a bidder's invitation list, to apply for prequalification, or to bid; such advertisements should be placed in at least one newspaper of general circulation in the Borrower's country and, in addition, in at least one of the following forms:

- (i) a notice in the United Nations publication, Development Forum, Business Edition; or
- (ii) an advertisement in a newspaper, periodical or technical journal of wide international circulation; or
- (iii) a notice to local representatives of countries and territories referred to in the Guidelines, that are potential suppliers of the goods required."

(b) The following is added at the end of paragraph 2.21 of the Guidelines:

"As a further alternative, bidding documents may require the bidder to state the bid price in a single currency widely used in international trade and specified in the bidding documents."

(c) Paragraphs 2.55 and 2.56 of the Guidelines are deleted.

(B) Contracts for the procurement of goods for the activities referred to in Section 3.03 of this Agreement estimated to cost the equivalent of two hundred and fifty thousand dollars (\$250,000) or more each, shall be awarded through international competitive bidding in accordance with procedures consistent with those set forth in Sections I and II of the Guidelines.

2. Contracts for goods, other than the contracts referred to in paragraph 3 of this Schedule 3, estimated to cost the equivalent of less than five million dollars (\$5,000,000) each may be awarded on the basis of the normal procurement procedures of the purchaser of such goods.

3. Contracts for goods for the activities referred to in Section 3.03 of this Agreement, estimated to cost less than the equivalent of two hundred and fifty thousand dollars (\$250,000), may be procured on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

4. With respect to each contract referred to in paragraph 1 of this Schedule, the Borrower shall furnish to the Bank, prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids and recommendations for award, a description of the advertising and tendering procedures followed and such other information as the Bank shall reasonably request.

5. With respect to each contract referred to in paragraphs 2 and 3 of this Schedule, the Borrower shall furnish to the Bank, prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect thereof, such documentation and information as the Bank may reasonably request to support withdrawal applications in respect of such contract.

6. The provisions of the preceding paragraphs 4 and 5 shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure.

SCHEDULE 4

Actions Referred to in Paragraph 3 (b) of Schedule 1 to this Agreement

1. That the Borrower shall have achieved continued compliance with the conditions set forth in Section 5.01 (a), (c), (d), (e) and (f) of this Agreement;

2. that the Borrower shall have: (i) reduced the Production Coverage of Quantitative Restrictions to no more than fifteen percent (15%), (ii) continuously maintained compliance with the condition set forth in Section 5.01 (b) (ii), and (iii) achieved full automaticity in the import authorization process for all goods not covered by Quantitative Restrictions;

3. that any countervailing duties, anti-dumping duties, or safeguard measures that may have been established by the Borrower shall have conformed to the requirements of paragraph 2 (i) of this Schedule and paragraphs (c) and (e) of Section 5.01 of this Agreement;

4. that the Borrower shall have reduced the Production Coverage of export taxes on Industrial Goods to no more than seven and one-half percent (7.5%);

5. that the Borrower shall have eliminated all export controls (intervenciones previas y otras restricciones) applying to the exportation of Industrial Goods other than export controls (intervenciones previas y otras restricciones) established in: (i) a Ley del Congreso de la Nacion, or (ii) an international agreement, or (iii) a Resolucion exclusively for the protection of the environment or the maintenance of reasonable health or product quality standards; and

6. that the Borrower shall have: (i) made progress, satisfactory to the Bank, in

the completion of DGI's program for the auditing of beneficiaries (empresas promovidas) under the Industrial Promotion System; (ii) strengthened, in a manner satisfactory to the Bank, the auditing capacity of SICE as provided in Section 3.03 (a)(ii) of this Agreement; (iii) issued regulations (decreto or resolucion ministerial) establishing the criteria referred to in Section 3.03 (a)(iii) of this Agreement; and (iv) furnished to the Bank the plan of action referred to in Section 3.03 (a)(iv) of this Agreement, such plan of action to be satisfactory to the Bank.

