

CONFORMED COPY

LOAN NUMBER 7318-AR

Loan Agreement

(Institutional Strengthening of the National Social Security Administration Project)

between

ARGENTINE REPUBLIC

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated July 14, 2006

LOAN NUMBER 7318-AR

LOAN AGREEMENT

AGREEMENT, dated July 14, 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Except as otherwise provided in the Loan Agreement, the proceeds of the Loan may be withdrawn to pay for taxes (excluding the export tax and the financial transaction tax) levied by, or in the territory of, the Borrower on the goods or services to be financed under the Loan, or on their importation (with the exception of import tariffs above 28%), 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) “Agency Agreement” means the agreement referred to in Section 3.08 (a) of this Agreement;

(b) “Annual Action Plan” means any of the annual plans referred to in Section 3.09 (a) of this Agreement;

(c) “ANSES” means *Administración Nacional de la Seguridad Social*, the Borrower’s National Social Security Administration, established as a decentralized institution (*organismo descentralizado*) within Borrower’s Ministry of Labor, Employment and Social Security (*Ministerio de Trabajo, Empleo y Seguridad Social*) pursuant to the Borrower’s Decree No. 2741/1991 dated December 26, 1991 (duly published in the Borrower’s official gazette on January 8, 1992), which Decree was ratified by Article 167 of the Borrower’s Law No. 24.241 of September 23, 1993 (duly published in the Borrower’s official gazette on October 18, 1993), as said Decree has been amended to the date of this Agreement;

(d) “ANSES I” means the National Pension Administration Technical Assistance Project partially financed by the Bank Loan No. 4131-AR pursuant to the terms and conditions set forth in the Loan Agreement entered into between the Borrower and the Bank on April 17, 1997, as amended;

(e) “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(f) “Non-Consultant Services” means expenditures incurred by the Borrower, through the PCU, to finance the provision of services under the Project, which services will be bid and contracted on the basis of performance of measurable physical outputs;

(g) “Operational Manual” means the manual referred to in Section 3.04 (a) of this Agreement, as the same may be amended from time to time with the agreement of the Bank;

(h) “PCU” means the Project coordination unit established within ANSES;

(i) “Procurement Plan” means the Borrower’s procurement plan, dated May 24, 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 18 month periods (or longer) of Project implementation;

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

(k) “SSS” means *Secretaría de Seguridad Social*, the Borrower’s Social Security Secretariat, established within the Borrower’s Ministry of Labor, Employment and Social Security (*Ministerio de Trabajo, Empleo y Seguridad Social*); and

(l) “Steering Committee” means the committee established pursuant to Resolution No. 355 of May 16, 2005 issued by the Borrower’s Ministry of Labor, Employment and Social Security (*Ministerio de Trabajo, Empleo y Seguridad Social*).

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 twenty five million Dollars (\$25,000,000), 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, consultants’ services and Non-Consultant Services required for the Project and to be financed out of the proceeds of the Loan, 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 separate special deposit account in *Banco de la Nación Argentina* on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be March 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 on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (i) eighty five one-hundredths of one per cent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to but not including the fourth anniversary of such date; and (ii) seventy five one-hundredths of one per cent (0.75%) per annum thereafter.

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. The Borrower declares its commitment to the objectives of the Project, and, to this end, shall: (a) carry out Parts A, C and D of the Project, through ANSES; and (b) carry out Part B of the Project through the SSS (which shall be responsible for the technical aspects under said Part of the Project), with the assistance of ANSES in respect of the disbursement and procurement aspects under said Part of the Project (as the contents of said responsibility and assistance are described in the Operational Manual), all with due diligence and efficiency and in conformity with appropriate administrative, financial management, technical, social, civil service and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of the goods, consultants’ services and Non-Consultant 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. 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 designed to ensure the sustainability of the Project; and

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

Section 3.04. (a) The Borrower shall carry out the Project in accordance with the provisions of a manual (the Operational Manual), acceptable to the Bank, said manual to include, *inter alia*: (i) the Project's chart of accounts and internal controls; (ii) the FMR formats; (iii) the terms of reference for carrying out the Project audits; (iv) the structure, functions and responsibilities of the Steering Committee and the PCU; (v) the contents of the responsibility and assistance referred to in Section 3.01 (b) of this Agreement; (vi) the Project indicators; (vii) the formats of the financial statements referred to in Section 4.01 of this Agreement; and (viii) the Project disbursement and procurement procedures, including the standard bidding documents for the goods and Non-Consultant Services to be procured under the Project.

(b) In case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

Section 3.05. (a) The Borrower shall: (i) operate and maintain, at all times during Project implementation a steering committee (the Steering Committee) with a structure and with functions and responsibilities acceptable to the Bank, including, *inter alia*, the responsibility to oversee the carrying out of the Project; and (ii) operate and maintain, at all times during Project implementation, the PCU with a structure, functions and responsibilities acceptable to the Bank, including, *inter alia*, the responsibility to assist the Borrower in Project implementation, monitoring and supervision.

(b) The Borrower shall ensure that the PCU is, at all times during Project implementation, headed by a national director, who will be assisted by an administrative coordinator, other professional staff (including two accountants (one senior and one junior) and a procurement specialist) and administrative staff, all in numbers and with qualifications and experience acceptable to the Bank.

Section 3.06. The Borrower shall, not later than February 28, 2006, create, and thereafter maintain throughout Project implementation, a specific budget line entry in each of its annual budgets in order to keep track of the corresponding expenditures incurred during Project implementation.

Section 3.07. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in the Operational Manual, the carrying out of the Project and the achievement of the objective thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and to furnish to the Bank, not later than April 30 and October 31 of each year of Project implementation (starting with the report due in April 2006), 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 calendar semester preceding the date of presentation 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 following calendar semester; and

(c) review with the Bank and ANSES not later than November 30 of each year of Project implementation (starting in the year 2006), the pertinent reports referred to in paragraph (b) of this Section, and, thereafter, take and/or cause to be taken, as the case may be, all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of the said reports and the Bank's views on the matter.

Section 3.08. (a) If the Borrower deems it appropriate, the Borrower, through ANSES, may enter into an agreement (the Agency Agreement) with an entity (which entity shall have disbursement and procurement experience and qualifications acceptable to the Bank) on terms and conditions, acceptable to the Bank, which terms shall include, *inter alia*, the obligation of said entity to act as the Borrower's disbursement and procurement agent under the Project.

(b) (i) In the event that the Agency Agreement has been signed by the parties thereto, the Borrower shall exercise its rights and carry out its obligations under the Agency Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan; and (ii) except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, terminate, waive or fail to enforce the Agency Agreement or any provision thereof.

Section 3.09. The Borrower shall: (a) not later than December 31 of each year of Project implementation, starting in year 2005, furnish to the Bank, for its approval, an annual action plan, each said plan to include, *inter alia*, the Project activities to be carried out by the Borrower during the calendar year following the presentation of each said plan; (b) thereafter implement each said Annual Action Plan in accordance with its terms; and (c) carry out the Annual Action Plan for the year 2005 as approved by the Bank prior to the date of this Agreement.

Section 3.10. The Borrower shall not later than six months after the Effective Date, strengthen (in a manner acceptable to the Bank) the financial management system referred to in Section 4.01 (a) of this Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain within the PCU 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 3.07 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 calendar semester.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional event is specified, namely, that the entity referred to in Section 3.08 (a) of this Agreement shall have failed to comply with any of its obligations under the Agency Agreement.

Section 5.02. Pursuant to Section 7.01(k) of the General Conditions, the following additional event is specified, namely, that the event specified in Section 5.01 of this Agreement shall occur and shall continue for a period of sixty 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 the Operational Manual has been adopted by the Borrower.

Section 6.02. The date October 12, 2006, 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
C1109ADA, Buenos Aires
Argentina

Cable address:	Telex:	Facsimile:
MINISTERIO DE ECONOMIA Baires	121942-AR	(5411)43498815

For the Bank:

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

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-639

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, USA and 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/ Pamela Cox

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:

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be financed</u>
(1) Goods	21,175,000	100% (except as provided in Section 5.08 of the General Conditions)
(2) Consultants' services (excluding the fees to be paid to the entity referred to in Section 3.08 (a) of this Agreement)	2,070,000	30%
(3) Training	235,000	100%
(4) Non-Consultant Services	270,000	30%
(5) Front-end fee	250,000	Amount due under Section 2.04 of this Agreement
(6) Premia for Interest Rate Caps and Interest Rate Collars	0	Amount due under Section 2.09 (c) of this Agreement
(7) Unallocated	<u>1,000,000</u>	
TOTAL	<u>25,000,000</u> =====	

2. For the purposes of this Schedule, the term "Training" means expenditures (other than those for consultants' services) incurred by the Borrower, through the PCU, as approved by the Bank on the basis of an annual budget acceptable to the Bank, to finance reasonable transportation costs and per-diem of trainers (if applicable), training registration fees, and rental of training equipment under the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding \$5,000,000, may be made in respect of Categories (1) through (4) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures within one year before that date but after February 1, 2005.

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, individual consultants and consulting firms not subject to Prior Review as referred to in Section IV of Schedule 4 to this Agreement; and (b) Training and Non-Consultant Services, as set forth in Categories (3) and (4) of the table in paragraph 1 of this Schedule, respectively, 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: (a) enhance ANSES' service-delivery capacity, through the improvement of its: (i) efficiency, effectiveness, transparency and accountability functions; and (ii) change management initiatives; and (b) support the institutional strengthening of the SSS.

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: Institutional Effectiveness of ANSES

1. (a) Carrying out of a diagnostic of ANSES' institutional strategy for purposes thereafter of, *inter alia*: (i) designing ANSES' strategy to be aligned with said institution's new vision and demands (which strategy, once designed, shall be reflected in a strategic plan, acceptable to the Bank); (ii) enhancing strategic management tools to improve institutional performance; and (iii) designing a new monitoring and evaluation system; and (b) strengthening of ANSES' corporate governance, so as to provide incentives for institutional change.
2. (a) Redesign of ANSES's core business processes (as approved by the Bank), including but not limited to the carrying out of a diagnostic of current operational processes; and (b) automation and integration of the business processes mentioned in (a) herein so as to group and simplify said processes, if needed, and enhance the efficiency and service-delivery functions of ANSES.
3. Redefinition of ANSES' organizational structure (in line with the newly designed strategy referred to in Part A.1 (a)(i) above), which redefinition consists of, *inter alia*, the following activities (as approved by the Bank): (a) the carrying out of a functional analysis of the institution; (b) the strengthening of its audit, planning and services departments; (c) the strengthening of its human resources department (including the strengthening of ANSES' human resources management system, and the design and implementation of a career plan); and (d) the improvement of ANSES' service delivery at the decentralized level, all so as to eliminate functional gaps and overlaps, and contribute to the clarification of the roles of said areas.

Part B: Institutional Effectiveness of the SSS

1. Strengthening of the management capacity of the SSS, through, *inter alia*, the following activities (as approved by the Bank): (a) the design of a management strategy; (b) the reengineering and automation of core business processes and their functions; and (c) the development of a monitoring and evaluation system, so as to improve the oversight function of the SSS.

2. Strengthening of the technical capacity of the SSS, through, *inter alia*, the following activities (as approved by the Bank): (a) the carrying out of: (i) selected studies (as approved by the Bank) on different social security systems; (ii) actuarial analyses with respect to, *inter alia*, the performance of the Borrower's social security system; (iii) a review of the Borrower's existing legislation on social security, as well as a review of foreign legislation on said matter; and (iv) information and communication technology investments for data analysis and data exchange; and (b) the provision of training required therefor.

3. (a) Carrying out of a campaign to disseminate information concerning the Borrower's social security system; (b) improvement of access to information on the services performed by the SSS and other related agencies/institutions under the oversight of the SSS; and (c) carrying out of workshops and participation in seminars on social security matters.

Part C: Transparency and Participation

1. (a) Carrying out of a diagnostic of ANSES' current control and audit mechanisms; (b) design and implementation of: (i) a methodology for fraud and error detection (including the design of a territorial information system and digital maps); (ii) uniform guidelines for benefit determination, including the computerization of said guidelines; and (iii) an exchange of information program between ANSES and other agencies and institutions to be selected by ANSES (in a manner acceptable to the Bank) on beneficiary data; and (c) strengthening of the capacity of ANSES' staff on transparency practices, fraud and error detection and ethics, so as to improve transparency within ANSES.

2. Strengthening of ANSES' mechanisms to comply with final judicial decisions dealing with social security benefits, through, *inter alia*, the following activities (as approved by the Bank): (a) the carrying out of a diagnostic of ANSES' capacity to comply with said judicial decisions; (b) the systematization and standardization of ANSES' management processes and practices to improve its efficiency in complying with said judicial decisions; and (c) the design and implementation of mechanisms to

monitor compliance with said judicial decisions, so as to improve fraud and error detection.

3. (a) Expansion of citizens' participation to monitor ANSES' performance and service-delivery; (b) design and implementation of, *inter alia*: (i) social accountability evaluation mechanisms for the use of ANSES' beneficiaries and the general public; and (ii) scorecard, feedback and complaints mechanisms; (c) strengthening of ANSES' advisory body (*Organo Consultivo*); (d) creation of the ombudsperson office with functions and responsibilities acceptable to the Bank (including the provision of the necessary operational support); (e) improvement of access to information on ANSES' performance and services; and (f) upgrading of ANSES' single-window ("*ventanilla única*") and other communication systems concerning, *inter alia*, ANSES' performance, quality standards, citizens' rights and business processes and outcomes.

Part D: Change Management

1. Strengthening of the PCU and the Steering Committee in order to carry out their functions and responsibilities mentioned in Section 3.05 (a) of this Agreement.

2. Strengthening of ANSES' procurement and financial management capacity, through, *inter alia*, the following activities (as approved by the Bank): (a) standardization of procurement and financial management practices and processes, including the publication of said practices and processes, and the outcome of the same, in a manner acceptable to the Bank; (b) carrying out of pilot activities on financial management and procurement (including e-procurement); and (c) provision of training on procurement and financial management aspects.

3. (a) Strengthening of ANSES' monitoring and evaluation functions; (b) carrying out of an evaluation of ANSES I; (c) establishment of a baseline to measure and monitor Project performance, including the publication (in a manner acceptable to the Bank) of said baseline and the information concerning progress in complying with the Project indicators (as the same are set forth in the Operational Manual); and (d) strengthening of participatory monitoring and evaluation mechanisms.

4. Design and implementation of change management mechanisms, through, *inter alia*: (a) carrying out of a diagnostic of current change management practices (including stakeholder analysis); (b) design and implementation of a change management strategy; (c) carrying out of internal and external communication strategies; (d) dissemination of management practices and change management progress; (e) institutionalization of change management mechanisms; (f) design of mechanisms to develop innovative management practices to improve service delivery which can be replicated and scaled up in ANSES; and (g) design and implementation of a learning program to strengthen the

capacity of ANSES staff and Project stakeholders on management practices and innovations, and service delivery improvement.

* * *

The Project is expected to be completed by September 30, 2010.

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.

<u>Payment Date</u>	<u>Installment Share (Expressed as a %)</u>
Sept. 15, 2011	4.75%
March 15, 2012	4.75%
Sept. 15, 2012	4.75%
March 15, 2013	4.75%
Sept. 15, 2013	5.50%
March 15, 2014	5.50%
Sept. 15, 2014	5.50%
March 15, 2015	5.50%
Sept. 15, 2015	5.50%
March 15, 2016	5.50%
Sept. 15, 2016	5.50%
March 15, 2017	5.50%
Sept. 15, 2017	6.03%
March 15, 2018	6.03%
Sept. 15, 2018	6.03%
March 15, 2019	6.03%
Sept. 15, 2019	6.45%
March 15, 2020	6.43%

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 sub-paragraph (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 sub-paragraph 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 and Non-Consultant 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. Without limitation to the provisions in paragraphs A and B of this Section, the following additional provisions shall also govern the procurement of goods, Non-Consultant Services and consultants’ services under the Project (as the case may be):

(a) procurement of goods and Non-Consultant Services shall be carried out using standard bidding documents acceptable to the Bank;

(b) a two-envelope bidding procedure shall not be allowed in the procurement of goods and Non-Consultant Services;

(c) after the public opening of bids, information relating to the examination, clarification and evaluation of bids and proposals and recommendations concerning awards shall not be disclosed to bidders or consultants or other persons not officially concerned with this process until the publication of contract award (except as provided in paragraphs 2.20 and 2.27 of the Consultant Guidelines);

(d) bidders or consultants shall not, as a condition for submitting bids or proposals and/or for contract award: (i) be required to be registered in Argentina; (ii) have a representative in Argentina; and (iii) be associated or subcontract with Argentine suppliers, contractors or consultants;

(e) the invitations to bid, bidding documents, minutes of bid openings, requests for expressions of interest and the evaluation reports of bids and proposals of all goods, Non-Consultant Services and consultants’ services, as the case may be, shall be published in a web page acceptable to the Bank, and in a manner acceptable to the Bank;

(f) the provisions set forth in paragraphs 2.49 through 2.54 and 2.59 of the Procurement Guidelines shall also be applicable to contracts for goods and Non-Consultant Services to be procured under National Competitive Bidding procedures; and

(g) the publication of bidders in one or more specialized magazines shall not be used by the Borrower in determining if the bidder whose bid has been determined to be the lowest evaluated bid has the capability and resources to effectively carry out the contract as offered in the bid, as referred to in the provision set forth in paragraph 2.58 of the Procurement Guidelines. The provision set forth in paragraph 2.58 of the Procurement Guidelines (including the limitation set forth herein shall also be applicable to contract for goods and Non-Consultant Services to be procured under National Competitive Bidding procedures).

D. 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 and Non-Consultant 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. (a) Goods estimated to cost less than \$500,000 equivalent per contract; and (b) Non-Consultant Services estimated to cost less than \$500,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding.

2. Shopping. (a) Goods estimated to cost less than \$50,000 equivalent per contract; and (b) Non-Consultant Services estimated to cost less than \$50,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

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. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$500,000 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. 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, subject to prior approval of the Bank.

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.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:
 - (a) the term “eligible Categories” means Categories (1) through (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
 - (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
 - (c) the term “Authorized Allocation” means the amount of \$1,500,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.
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 for the Project, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions for the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories for the Project 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.